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West Europe Report

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19 June 1984

WEST EUROPE REPORT

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SUBMARINE-INTRUSION DEBATE TESTING SWEDISH NEUTRALITY

Helsinki HUFVUDSTADSBLADET in Swedish 8 May 84 p 2

[Editorial by Rafael Paro]

[Text] There is no reason to doubt Sweden's resolve to follow a firm and consistent policy of neutrality--however thankless the task may seem in the light of the latest submarine report, Rafael Paro writes.

The Swedish government and commander in chief Lennart Ljung agree that foreign powers violated Swedish territorial waters off Karlskrona at least 10 times during February and March of this year. This was made clear on Friday when the commander in chief presented his report on the submarine hunt off Karlskrona. He also pointed out, however, that it was impossible to indicate which nation was responsible for the intrusions.

The reports on foreign underwater activities in the Karlskrona region are based on optical observations, readings on technical equipment such as radar echo, acoustic readings, and magnetic signals, and on investigation of the seabed. About 600 so-called indications have been registered. The greatest number were optical observations. About 70 indications were subjected to detailed analysis, according to the report.

The commander in chief's report stated that in no case has it been possible to photograph foreign subs or divers. Numerous sketches are available, however. So far, investigation of the seabed has yielded no evidence that can be linked to foreign underwater activities. No material has been found that could be used as evidence.

Thus, there is little concrete to go on. The ability of the public and of the press to evaluate the intrusions and the performance of the Swedish military is further limited because the report was partially censored, presumably for security reasons, but perhaps also for political reasons.

All that remains for outsiders and laymen to do is to believe those who "should know." The Swedish government, which has seen the entire report, said that it was "seriously concerned by the report." The report deals not only with

large and small submarines and the so-called minisubs in which people may stay for long periods of time. Now there is a new category--something called "diver vessels." These "water scooters" have some sort of machinery to propel them, but they cannot supply divers with air for breathing. Finally, divers with various types of equipment are mentioned. Attack divers operate with self-contained breathing systems that leave no trail of bubbles behind them.

The commander in chief has determined that all these types of foreign underwater activities occurred in the Karlskrona incident. He also indicated that the foreign minivessels probably are constructed of some nonmagnetic material. Antisub instruments used by the navy that operate on magnetic principles have been useless in these cases.

It is as if the Karlskrona region has been a large experimental field for modern underwater technology. It also may be assumed that it will take some time before the general public is prepared to swallow the information on the utilization of modern technology contained in the commander in chief's report. They may be so overcome by the fine line between what seems to be pure science fiction and actual existing military technology that their present skepticism may increase. Because of the demand for an open account that has been made so strongly by the Swedish public, the Swedish military has been forced to take an obvious risk.

The Swedish Communist Party leader Lars Werner expressed this skepticism by saying that the "hysteria created by so many military leaders and certain members of the mass media jeopardizes confidence in Swedish neutrality: It is remarkable that, after what has been described as the largest effort in 175 years, the military has been unable to come up with any more than it has, yet it is willing to make such categorical statements."

At the press conference at which the commander in chief's report was presented, Defense Minister Anders Thunborg touched on an important issue when he pointed out that Sweden had no problem defending its territory above water, but had serious problems underwater. Thunborg said this could be a problem for many other countries, as well, "but they do not talk so much about it." Those who know something about submarine hunting understand Sweden's problem, according to Thunborg.

This statement raises the question of whether Sweden has been the only target of unusually refined territorial intrusions during the past decade or whether Sweden's own activities to avert the intrusions have separated Sweden from other countries.

The position of the Swedish government with regard to the future is clear, however. It believes that the confidence of other nations in Sweden's policy of neutrality demands that Sweden demonstrate both the will and the capacity to defend its territory, in war as well as in peace. Intrusions will be met by all the force and all the means available. At the same time, certain weaknesses are admitted: "Swedish antisub defenses are still in the construction phase. It takes time to build up the necessary technical resources and competence for an effective antisub system," Defense Minister Thunborg said in his statement.

When you get right down to it, Sweden's actions do demonstrate political will. The skeptics may believe that there is nothing but a defense conspiracy behind Sweden's activities and that we are dealing with "budget subs" in order to increase military spending. Even if that were so, it would be an expression of a political will that was making its mark on the security policy picture in our part of the world.

It is clear, however, that Sweden's political will has not kept the sub hunting issue alive on its own. There have been one or more other players in the game who have tried to discredit Swedish neutrality.

9336

CSO: 3650/206

EX-COMMUNIST VIEWS HARDENED SOVIET INTERNATIONAL POLICY

Paris LIBERATION in French 9 May 84 p 4

[Article by Alexandre Adler]

[Text] Despite its symbolic character, the decision just reached by Chernenko not to participate in the Olympic Games represents a significant political gesture if one sees it as part of the logic behind the latest diplomatic initiatives by Andropov's successor.

It is true that the USSR has not yet digested the affront inflicted by the United States when the latter boycotted the preceding games in Moscow. It is undeniable that in bringing up several annoying problems (notably the presence of KGB agents in the group accompanying the Soviet team), U.S. authorities did not show much intelligence. It is clear that Moscow is not unhappy to come up with a publicity stunt harming Reagan's image in the midst of the presidential election campaign. Like everyone else, the Soviets know that while Reagan's economic policy is well received by Americans, his polemical approach to East-West relations is much less popular. Not going to Los Angeles is therefore a way of giving Walter Mondale a little push.

But that cannot be the essential thing. By choosing this gesture of defiance, Chernenko is seeking to assert his authority in the field of international policy, which for the record is being strongly questioned inside the country, notably by the army (or at least the military hierarchy) and the KGB. Three Soviet maneuvers in quick succession give the impression that a start is being made toward correcting the trajectory represented by the Andropov strategy.

First of all, in Afghanistan, there is increasing confirmation that the Soviet Army has been ordered to come up with results in the field at any cost so as to counteract the negotiated approach implied by China's warning signal. The basic reason for such a policy in defiance of international opinion--especially that in the Islamic world--is Chernenko's need to consolidate his political support within the most traditional faction of the army.

And in Poland, it seems quite clear that despite the wording adopted in the final communique, the purpose of Jaruzelski's visit to Moscow was to warn the Polish military junta against any spirit of compromise with respect to Walesa and, probably now as well, the Catholic Church.

This hardening Soviet attitude toward the pope may have important domestic consequences in Poland. The continuing investigation of the Agca case in Italy might also give rise to a strong Soviet offensive against the pope now that the changing of the guard in Moscow has brought back the traditional protectors of the Bulgarians--Chernenko and his friends.

Finally, in Korea, the Soviets are seen to be developing a dangerous game recalling Stalin's attitude in 1950 in pushing Kim Il-song to launch into aggression against South Korea. By welcoming Kim Il-song to Moscow, Soviet diplomats are trying to trip up China, whose desire for peace and closer relations with both Japan and the United States is combined with its concern over the dangerous whims of the Kim father-and-son team.

From that point of view, the attack in Rangoon--organized by the North Korean intelligence service--apparently led the Chinese Government to intervene to force North Korea into coexistence, and the pope came to Seoul to support that policy. By intervening in Korean affairs in their present manner, the Soviets are showing their ill will toward the search for a satisfactory compromise on the Korean peninsula. Here again, the desire shown by Andropov to handle the Chinese Government with care is no longer accepted by the new Soviet leadership.

What this means is that by choosing the path of confrontation in preference to negotiation in three different areas, Chernenko is seeking to strengthen an authority that is still weak. The price to be paid in terms of international relations is already very high. By playing with a symbol that is certainly ludicrous but highly significant--the Olympic Games--Chernenko is raising the stakes even higher.

11798

CSO: 3519/341

ESPERANTO MOVEMENT TAKEN OVER BY COMMUNIST BLOC

Paris AUTRES MONDES in French 15 Mar 84 pp 3-5

[Text] "We feel that L'HUMANITE-DIMANCHE could devote an important article to the Esperanto congress held in Budapest last August. The purpose would be to assess the potential represented by that extraordinary opportunity for people to meet each other, write to each other, and understand each other without an interpreter regardless of their respective nationalities." The letter from which the above was taken was signed by W. Gilbert and appeared in L'HUMANITE-DIMANCHE on 23 December 1983.

Gilbert is chairman of the Esperanto Labor Federation. His organization participates regularly in the various communist demonstrations, notably in that of 1 May. This year it again had a booth on Avenue de l'Oise during the L'HUMANITE Festival. At about the same time--in November 1983--the magazine ENJEU, which is very close to Jean-Pierre Chevenement's CERES [Center for [Socialist] Studies, Research, and Education], also published a letter on the subject of Esperanto in which the author stressed the value of that artificial language in the struggle against "the imperialist oligarchy of the transnational firms (which) are reinforcing the position of English every year and (which) facilitate the setting up of collaborating military dictatorships on the periphery (in Indonesia, Chile, and so on)." The letter goes on to say: "To be effective, defense of the French-speaking world should be linked to an offensive struggle for the international language: the French Union for Esperanto (UFE) and SAT-Amikaro." The former is described as "apolitical," the second as being "linked to the workers movement."

That distinction has no basis in reality. SAT-Amikaro is close to traditionally libertarian and anarchist circles, while the UFE, behind an "apolitical" mask, is subordinate to a communist-led organization (the UEA [Universal Esperanto Association]), even if its French leaders deplore that fact.

SAT-Amikaro

In its issue for 14 October 1977, the magazine ECOLOGIE-HEBDO discussed that organization at length. "The ecology movement (has) an overall and global character. Its action must therefore be global in its dimensions so as to promote a spirit of international solidarity... but there is a major hindrance to such closer relations, and that is the language barrier. Esperanto could be a basic key in techniques of nonviolent civil defense."

On 21 April 1978, the same magazine drew attention to the congress of the Nationless Association of Esperanto Workers in Lectoure (in Gers), which was to bring together "sections already in existence (libertarians, world citizens, pacifists, distributive economy, friends of nature, and so on) and establish an ecology section."

The French-speaking Union of Esperanto Workers, better known as SAT-Amikaro, is a minority group in France. Imbued with the spirit of the worker movement, it is not--as we said--linked directly with the communist movement, although its magazine SAT-AMIKARO regularly publishes reports, letters, and so on from the Eastern countries. In Issue No 385 for June 1983, for example, it presented an article by Vladimir Georgiev, deputy chairman of the Academy of Sciences of Bulgaria, that was called "a contribution to communication among peoples," as well as an interview with Ferdinand Eisen, minister of education in the Estonian SSR, and the text of a speech on Esperanto from Radio Peking.

SAT's origins go back to the Prague congress in 1921. About 100 Esperantists grouped around Eugene Adam, known as Lanti, criticized the "bourgeois spirit" of the "neutral movement," which was contrary to the "interests of the working class." Their doctrine was based on "nonnationalism" and permanent educational work to train "aware revolutionaries." Their slogan was "down with neutralism!" SAT did not try to infiltrate the UEA.

SAT also experienced a split with the establishment of the IPE (International of Proletarian Esperantists) in Berlin in 1932. The latter's ideology was based on "Marxism-Leninism-Stalinism." It supports "proletarian internationalism, struggles against imperialism and fascism, and supports the liberation struggle by oppressed nations and colonized peoples against oppressors" (Point 6 of the bylaws).

SAT has been banned in the Eastern countries ever since--whereas the IPE has gradually become integrated with the UEA!

But what is Esperanto, and why is the East interested in it?

Zamenhof, Founder of Esperanto

In 1887, a Polish physician and linguist named Dr Ludwig Lazar Zamenhof (who was also a freemason) decided to "make possible genuine communication among men and among the various linguistic communities."

He then published a short pamphlet entitled "Unua Libro" in which he proposed the formation of a language based on 16 principles and about 1,000 Indo-European word roots. In 1888 there appeared the "Adresaro," a directory of the addresses of the first 1,000 Esperantists, and in Nuremberg in 1889, the first issue of the magazine LA ESPERANTISTO was published. In 1905, the first universal congress was held in Boulogne-sur-Mer. It included the adoption of a statement of neutrality in matters of religion, philosophy, and politics. The "internal idea" was expressed as international humanism. In 1908, the Universal Esperanto Association (UEA) was established. In 1914, the 10th congress opened and closed on the very day that World War I began!

Since that time, the desire to be neutral has been reaffirmed constantly in Esperantist brochures: "Domination by one national language is consistent neither with justice... nor with efficiency," said ESPERANTO-ACTUALITES in September 1983. The introductory brochure entitled "Esperanto: a Right to Communication" also claims that "Esperanto is not linked to any political party, any religion, or any economic interest." At the same time, it presents itself as "a worldwide community for exchange and friendship. It has the look of a universal tourist agency."

The UEA is approved, incidentally, by the Ministry of National Education, and the UEA enjoys consultative arrangements with UNESCO--from which the United States is going to withdraw at the end of 1984 in a rejection of the Soviet takeover. References to UNESCO as proof of its seriousness are constant in the UEA's publications.

And the World Provisional Parliament--an assembly of world federalists meeting in Brighton from 4 to 17 September 1982--adopted Esperanto as its working language.

Universal Esperanto Association (UEA)

Following the secession by SAT-Amikaro and the Esperanto Union of the Soviet Republics in 1921, the UEA separated itself from all social ideologies at its congress in Cologne in 1933: the existing Esperanto associations of workers and socialists in Germany were abolished.

In 1936, a circular from Bormann prohibited members of the NSDAP [National Socialist German Workers Party] from being Esperantists. Esperanto was considered to be "a language of Jews and communists." It should be noted that Chakhotin, a Comintern agent and author of the classic "Rape of Crowds by Political Propaganda," was then a high-powered Esperantist who found his first members among the Esperanto movements.

The following year--this time in the USSR--the chairman of the SEU, Drezen, was arrested and executed on Stalin's orders. Esperantists were deported, the SEU was considered an "international espionage organization," and Esperanto was looked upon as a "language of Zionism and cosmopolitanism." The same policy in two totalitarian countries!

After World War II, in 1947, the 32d congress (held in Berne) added the idea of "active neutrality" to the bylaws and included respect for human rights as a necessary foundation for its activities. After many bans, the communist movement changed its mind about Esperanto: in 1954, the Bulgarian Communist Party declared at an internal meeting: "As an international language, Esperanto is undesirable, but as a means of propaganda and struggle for peace, it is usable." Associations were then established in Poland, Bulgaria, Hungary, and Czechoslovakia under the direct control of the CPSU. All of them gradually joined the UEA--the Czech group in 1970. And in 1983, Cuba became the latest to join the UEA.

Communist Takeover

In the late 1960's and early 1970's, the East was to take control of the UEA's leadership. Two paths were followed in carrying out that operation:

1. Association leaders considered too "soft" were replaced by party members, and the membership figures were artificially inflated to increase its representation on the International Committee.
2. The World Association of Esperanto Youth (TEJO) was politicized, and its leaders immediately signed agreements with the communist movements.

Several confidential reports reaching the West* show that preparations for the takeover were being made as far back as 1957. Only the Czech movement was able to stay out of the party's orbit until 1969. Most of the association's members played a significant role in the "Prague Spring."

Implementation of the process can be described in detail in the case of Bulgaria and its association (the BEA). The magazine BULGARA ESPERANTISTO (No 5, 1974) published an article relative to "ideological work" signed by the "partial committee of the BEA." The article said in particular: "The BEA must systematically improve its participation in the UEA and the other Esperanto organizations by rejecting the idea of neutrality."

The BEA's program (41 typewritten large-sized pages) is entitled "The Tasks of the Bulgarian Esperanto Movement in the Struggle by the Peoples for the Building of an Advanced Socialist Society." The first section (10 pages) deals with domestic and foreign policy. Emphasis is placed on the importance of the 24th CPSU Congress, which is described as "the most remarkable event in world society" and as being "of extraordinarily important significance to the strengthening of the power of the Soviet Union." "We Bulgarian Esperantists see in the love of peace proclaimed by the USSR and in its tenacious struggle for peace... the basic guarantee of the coming of that era (in which the peoples will live as) one big fraternal family!"

The second section is devoted to ideological work: "Bulgarian Esperantists must have a very clear idea of the meaning and content of all these principles ("to educate members in the spirit of proletarian internationalism, in love for the camp of socialism and peace," and so on) so as to be able to act in conformity with those principles in their practical work and participate on the basis of those principles in the struggle for peace in the Balkans, Europe, and throughout the world without falling into abstract internationalism, whether it be in the form of neutralism, pacifism, cosmopolitanism, or other useless forms of deviationism. We must support and explain the useful work being done by the Bulgarian CP... to balance the positions of the world revolutionary movement and of world peace."

* Documents available from AUTRES MONDES.

The MEM (Esperanto World Peace Movement), founded in 1953, also fell under the East's control. Its chairman, for example, is the Bulgarian Aleksiev, member of the World Peace Council in Moscow. In every report, the only subject is "peaceful coexistence" and "proletarian internationalism"--two expressions in direct opposition to the bylaws of the UEA. ESPERANTO MAGAZINE, published by the Esperanto Association of Hungary, went so far in January 1975 as to say: "Let us make no secret of the fact that we accept socialism with its teachings and its institutions. Moreover, we are not pacifists like our parents and grandparents: we are fighters for peace who do not respect neutrality in important matters"!

TEJO

The UEA's young people (TEJO) were organized in 1957. According to their by-laws, the association is "politically neutral." In 1969, however, at the congress in Tyreso, Sweden, the TEJO declaration asserted: "Language is a reality linked to political and social phenomena." As far back as 1970, one could read in KONTAKTO (TEJO's magazine): "Neutrality does not indicate the path that must be followed, but rather the one that must not be followed."

In December 1970, TEJO protested "indignantly against the verdict in the Burgos trial" (in Spain), but said not a word about the trial in Leningrad that was going on at the same time. TEJO was represented at the World Peace Congress in Moscow in 1973 and at the world meeting of young workers, sponsored by Komsomol [Leninist Communist Youth League], in November 1972. In East Berlin in July 1973, Renato Corsetti (chairman of TEJO) shared the platform at the World Youth Festival with Yasir 'Arafat.

Hamburg 1974

A coalition of young people from TEJO and communists from the Eastern countries took over the committee by manipulating the rules. From then on, it was no longer the bureau that directed the UEA but the Permanent Committee, controlled by the communists.

On 1 July 1975, the FRG's association applied for membership, pointing out that "the ideological battle against imperialism" figured prominently in its "guiding principles." Those principles state: "They vigorously oppose every form of anticommunism, revisionism and neutralism and struggle for acceptance of the principles of peaceful coexistence between states with differing systems."

The FRG was accepted!

Since then, the UEA has remained in the hands of the Soviet Union, which works through intermediate organizations since it is not a member of the UEA, where its organization has only delegates!

Why this interest in an international language which, when all is said and done, exerts little influence?

The 68th congress, which was held from 30 July to 8 August 1983 in Budapest (for the third time!), provides part of the answer. Its final resolution "asks for more reflection concerning the results of developments in communications technology* with a view to greater justice and more democratization."

It was then learned that in 1981, the International Cybernetics Association (an association of major researchers in the field of computers and artificial intelligence--a "sensitive" area of research) had adopted Esperanto as its third official language along with English and French. As was explained in a letter to LE MONDE (7 February 1984) by a cybernetics engineer who had attended the 10th congress on cybernetics in Namur in August 1983, "one-third of the lectures were in Esperanto. I could listen to talks by Germans, Chinese, Bulgarians, Poles, and Italians in Esperanto with no translation system." So could the Soviets.

* Documents available from AUTRES MONDES.

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CSO: 3519/341

POLL ON POPULARITY OF CABINET, MINISTERS, PARTIES

Amsterdam DE TIJD in Dutch 20 Apr 84 pp 14-17

[Report by Gerard Driehuis: "Political Barometer; CDA (Christian Democratic Appeal) Voters Are Still Willing to Govern with the VVD (People's Party for Freedom and Democracy)]

[Text] Those who got the idea from all the publicity that the CDA following is exclusively made up of voters who are left-of-center are mistaken. Not at all: from the third TIJD/InterView political barometer it is over-ly clear that an overwhelming majority of the CDA vot-ers support a VVD/CDA coalition. That is a dilemma for Lubbers, for what is to be done if the cabinet falls over the cruise missiles? Further: a PvdA [Labor Party] and VVD government will undoubtedly remain a dream for-ever. The popularity of Den Uyl has noticeably decreased, that of the cabinet has increased a little.

In The Hague there was considerable speculation on Monday about the curious interview of Ruud Lubbers with NRC HANDELSBLAD. A large part of that inter-view dealt with nuclear arms. The essence of that part of the discussion was: the cruise missiles are worth a crisis and Lubbers fears that that will indeed occur. The first part is not so curious, the second part is--at least the fact that Lubbers makes that public via an interview. Who, accord-ing to the question of the Binnenhof [parliament] watchers, was to be put under pressure by that strong statement by the prime minister? Indeed, Lubbers' coming with these types of threats, at the climax of tensions which have been increasing for a number of years with respect to the placing deci-sion, certainly is not primarily intended for the average NRC reader.

The pressure almost certainly is intended for his own CDA parliamentary group and for Minister of Defense De Ruiter. The CDA and Ruud Lubbers are facing a dilemma. The result of this inquiry gives a clear picture of the dilemma. Those who take the publicity as an indicator could get the idea that the following of the CDA is primarily made up of voters who are left of center. The appeal through advertising to CDA voters and members to speak up against the placing of the cruise missiles yielded thousands of signatures.

The CDA weekly CD-AKTUEEL is dominated by the left wing. And also in socio-economic matters the pressure groups from the CDA side, such as the CNV [National Federation of Christian Workers in the Netherlands], speak out against the line of the CDA/VVD cabinet.

Appearances are deceptive, however. /Before/ the previous elections a broad majority of CDA voters supported a VVD/CDA cabinet. That was shortly after the chaos of the Van Agt/Den Uyl cabinet, so that preference was not very surprising. Also during the formation at that time, the CDA needed only a few days to reject the draft government accord of Van Kemenade without even creating the appearance of ever having given it any serious thought.

It is understandable: every time the CDA joins up with the PvdA, a loss is the result during the following elections. The CDA strategists thought that an end should be made to the obscurity in that respect. The CDA voters had to know that during following elections a vote for Ruud [Lubbers] could not become a vote for Joop [Den Uyl].

Since that time that course has been firmly continued. The left wing of the parliamentary group meanwhile has disposed of Scholten and Dijkman. And gradually it is becoming amusing how every time two or three days after a serious collision between CDA and VVD one prominent Christian Democrat or another (usually Bert de Vries) comes with a statement in an interview that it is unthinkable for the CDA to join up with the PvdA. You can expect it; it happens every time. The coalition fights should not confuse the electorate; the CDA would like nothing better than to be with the VVD.

And the election campaign than becomes the finishing touch in which Ruud Lubbers, as inviolable symbol of such a coalition, must appeal to the votes of the extreme right, including those of the VVD.

The VVD meanwhile has become very well aware of that, and the attempts to prevent Lubbers from becoming the symbol of the coalition can hardly be called subtle any longer since sometimes they even appear to take the form of a "campaign to harm the prime minister." But you have to do something, don't you--as VVD leader confronted with a partner who is going to attempt at the next elections to make the embrace deadly?

Still with the VVD

That christian democratic strategy takes the position that the CDA electorate is still willing to go in with the VVD. But meanwhile we are 1½ years farther along. During those 1½ years there was a cabinet with an unmistakable rightist imprint. Because of that, one might have expected the CDA following to have become a little less enthusiastic about cooperation with the VVD. Especially in the CDA following there are many little fellows who are especially affected by the economizations. But what happens: the same overwhelming majority of CDA voters supports a coalition between VVD and CDA. Only 28 percent sees something in a new attempt with the PvdA.

And that thus is the dilemma of Lubbers. As already mentioned: every time the CDA governs together with the PvdA, a loss is the result during the following elections. And that is not really surprising: even after 1½ years of undiluted rightist policy the CDA voters are still willing to govern with the VVD. That may be different for a large part of the CDA parliamentary group in the second chamber, but that is exclusively because that part of the parliamentary group has had the wrong voters for a long time. The CDA following simply is more rightist than the parliamentary group.

Hence the dilemma of Lubbers. Imagine that the cabinet collapses over the cruise missiles, with the VVD and CDA opposing each other; then the CDA would have to enter the elections with the forming of that second Den Uyl cabinet as the main issue. If CDA and VVD are currently divided over the placing, they will certainly still be divided after the elections. And if the CDA enters elections with as main issue the forming of a coalition with the PvdA, loss is guaranteed as the inquiry indicates.

Thus a chasm must not occur between VVD and CDA. That would destroy the entire strategy which until now was so successful. Hence an insider in christian democratic secrets was struck by the fact that the prime minister did speak about the threat of a crisis, but that he carefully avoided the theme of subsequent elections. A crisis which results in the replacement of a minister would be much more attractive

A few other results.

--It is once again obvious that enthusiasm among followers of the PvdA and VVD to strive for a government of those two parties is very slight. The career politicians in both parties are still dreaming of such a combination. Especially with the young guard of the VVD parliamentary group, the theme "Govern Without CDA" is extremely popular. But it will probably not go beyond dreaming. PvdA voters are not very interested in a Den Uyl/Wiegel cabinet and the VVD voters not at all. The greatest enthusiasm for such a combination can be noticed in voters for small leftist parties. . .

--Joop den Uyl's popularity has decreased considerably. The only explanation can be the discussion on his succession, which has surfaced once again. And the interesting thing is that that discussion did not get started in the PvdA, but in the TROS [Television-Radio Broadcasting Corporation]. They held an inquiry and thus brought the theme up for discussion. The PvdA miraculously managed to avoid reaction to it by the party, but Den Uyl's popularity nevertheless suffered, particularly within his own electorate. Strange enough, appreciation for him /increased/ among VVD and CDA voters. Apparently those people like Joop a lot better when it looks as if he is leaving. And mind that /looks as if/!

--The score for the cabinet increased a little again after the rather strong decline of last month. The cabinet regained in particular the support of its own following, but also PvdA voters were less dissatisfied than a month ago. The appraisal took place, however, before the ridiculous demonstration with respect to the PTT [Post, Telegraph and Telephone] and Groningen.

Table A. The Popularity of the Cabinet.

Welk waarderingscijfer geeft u het kabinet-Lubbers? (1)

| | (2) allen | PvdA | CDA | VVD (3) | Nog geen partijkeus bepaald |
|-------------|-------------|-------------|-------------|------------|-----------------------------------|
| | 5.54 | 4.67 | 7.11 | 6.8 | 5.41 |
| maart(4) | 5.43 | 4.41 | 6.92 | 6.60 | 5.67 |
| februari(5) | 5.75 | 4.88 | 7.14 | 6.97 | 5.45 |

Key:

1. What score do you give the Lubbers Cabinet? [on a scale from 0 to 10]
2. Everyone.
3. Party choice as yet undecided.
4. March
5. February

Table B. The Most Conspicuous Minister of the Month

| | (1) attentie-index | | | (2) attentiescore | | |
|--------------|--------------------|------|-------|-------------------|------|-------|
| | april | mrt. | febr. | april | mrt. | febr. |
| Lubbers | 271 | 310 | 393 | +38 | +49 | -23 |
| Ruding | 189 | 228 | 52 | 0 | -35 | +73 |
| Van Aardenne | 174 | 11 | 62 | -48 | -75 | -33 |
| Brinkman | 145 | 104 | 259 | +9 | -58 | +9 |
| Braks | 137 | 22 | 107 | +42 | -50 | +35 |
| Deetman | 126 | 143 | 203 | -63 | +55 | -66 |
| De Ruiter | 95 | 22 | 17 | +17 | -75 | -33 |
| Smit-Kroes | 78 | 151 | 48 | -72 | -13 | -86 |
| v.d. Broek | 76 | 135 | 97 | +79 | +55 | +50 |
| De Koning | 66 | 60 | 72 | -77 | -9 | -71 |
| Winsemius | 34 | 8 | 17 | +69 | -33 | -20 |
| Rietkerk | 21 | 99 | 31 | -100 | -89 | +33 |
| Schoo | 13 | 36 | 21 | -100 | -8 | 0 |
| Korthals | 3 | 71 | 17 | +100 | -62 | -71 |

Key:

1. Attention index.
2. Attention score.

[Table B text]

It's a little strange; it is more difficult than ever to eliminate Ruud Lubbers from the publicity, but interest in him is nevertheless steadily decreasing. The prime minister sees his scores lower every month. A counter-balance of that descending line is the increasing interest for Vice Prime Minister Van Aardenne. Increasingly one talks of the Lubbers/Van Aardenne Cabinet. That's nice for the liberals. However, does Ed Nijpels really like that? Once more an explanation of the table. The question of whether one of the ministers had been conspicuous was answered by 597 of the 1000 interviewees. If every minister had been mentioned the same number of times, each minister would have been mentioned 43 times. That would have given all the ministers an attention index of 100 percent. The one who had been conspicuous more often than that has over 100 percent and the one mentioned less frequently has less than 100 percent.

The attention score indicates the balance of positive and negative scores. Two (VVD) ministers managed to score exclusively in the negative. Ministers Rietkerk and Schoo never are noticed much by people, but if anyone noticed their presence last month it was without pleasure.

The reverse is true for the last person on the list, Minister of Justice Korthals Altes. He hardly scores at all, but those who think that he was conspicuous in March find without exception that it was in the positive sense. Watch De Ruiter: next month he will no doubt have risen even further.

Table C: Which Coalition would be the Best for the Netherlands?

| | (1) allen | | | | (2) klein links | (3) Nog geen partijkeus bepaald |
|----------------------|--------------|-----|-----|----|--------------------|--|
| | PvdA | CDA | VVD | | | |
| CDA-VVD | 32 | 1 | 70 | 81 | 11 | 25 |
| CDA-PvdA | 33 | 59 | 28 | 1 | 47 | 31 |
| PvdA-VVD | 17 | 28 | | 13 | 33 | 16 |
| geen van deze (4) | 18 | 13 | 2 | 4 | 9 | 28 |

Key:

1. Everyone.
2. Small left.
3. Party choice as yet undecided.
4. None of these.

That second Den Uyl Cabinet, will it still come about? Now that the cabinet is unsteady under the missile pressure, the question of whether the voters have had enough of the current combination is becoming interesting again. It turns out that only one third of the voters appreciate a continuation

of the current coalition. Another third is of the opinion that the PvdA ought to govern with the CDA. It is striking that the PvdA-VVD combination in the (not printed) division by age scores two times higher among young people under 35 than among older people. Thus it looks as if such a combination might become a possibility at some time.

For the time being, however, everything remains the same. The CDA voters still want nothing to do with the PvdA, and the PvdA electorate on the other hand wants to do all sorts of things with the christian democrats. But it appears that the only possibility for the socialists is for the government combination to lose the majority.

Table D:

| (1) Welk waarderingscijfer geeft u aan de minister-president en de fractievoorzitters van de grootste vier partijen? | | | | | |
|--|--------------|------------|------------|------------|--|
| | (2) allen | PvdA | CDA | VVD | (3) Nog geen partijkeus bepaald |
| Ruud Lubbers | 6.1 | 5.2 | 7.9 | 7.1 | 6.1 |
| maart | 6.0 | 4.9 | 7.9 | 7.1 | 5.9 |
| februari | 6.0 | 4.9 | 8.2 | 7.4 | 5.7 |
| Joop den Uyl | 5.5 | 7.3 | 4.8 | 4.3 | 5.5 |
| maart | 5.8 | 7.5 | 4.7 | 4.3 | 5.7 |
| februari | 5.8 | 7.6 | 4.5 | 4.6 | 6.0 |
| Bert de Vries | 5.2 | 4.8 | 6.4 | 5.7 | 5.0 |
| maart | 5.4 | 4.5 | 6.6 | 5.7 | 5.7 |
| februari | 5.4 | 4.8 | 6.8 | 6.2 | 5.0 |
| Ed Nijpels | 5.4 | 4.2 | 6.4 | 7.6 | 5.5 |
| maart | 5.3 | 4.0 | 6.0 | 7.4 | 5.4 |
| februari | 5.3 | 4.2 | 6.6 | 7.6 | 5.2 |
| Maarten Engwirda | 5.2 | 5.3 | 5.2 | 5.3 | 5.2 |
| maart | 5.2 | 5.1 | 5.5 | 5.1 | 5.2 |
| februari | 5.3 | 5.3 | 5.6 | 5.4 | 5.1 |

Key:

1. What score do you give the prime minister and the parliamentary chairpersons of the four largest parties?
2. Everyone.
3. Party choice as yet undecided.

The TIJD/InterView barometer is held monthly among 1000 interviewees in order to get a highly dependable result. For example, when the table states that 75 percent of those questioned are opposed to a decrease in benefits, it is certain that between 72.5 and 77.5 percent of the Dutch population have that opinion. The tables have been divided into the three large parties and the group of voters whose party choice is at yet undecided. Percentages found in other parties were not reported because the margin of error is too great there. The poll was held between 3 and 10 April.

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CSO: 3614/82

PRESIDENTIAL ELECTIONS ISSUE CREATES DEBATE, SPECULATION

PSD Possible Candidates Rejected

Lisbon EXPRESSO in Portuguese 26 May 84 p 3

[Text] Nearly a year ago, in an interview with a Lisbon magazine, Antonio Capucho admitted the possibility of his party's backing the presidential candidacy of Dr Mario Soares. Thus, Soares became the first one mentioned as a possible PSD [Social Democratic Party] candidate in the presidential elections.

However, the statement was to end up causing a scandal, and the hypothesis was dropped.

At the end of last year, another name started to be circulated: that of Dr Mota Amaral. The Azorean leader reportedly had backing from well-known party personages, such as Pinto Balsemao and Joao Salgueiro; and the hypothesis became substantive. In any event, Mota Amaral was the second person to appear as a possible PDS candidate for the presidency of the republic.

Before the Social Democratic Congress in March, the vice prime minister's office noted that Mota Pinto himself might run as a candidate for Belem. His was the third name to appear.

At the height of the Braga Congress, Marcelo Rebelo de Sousa, who had never concealed his criticism of the Mota Amaral candidacy, submitted the name of Alberto Joao Jardim as an alternative. So, the Madeira leader became the fourth person mentioned as a PSD candidate for the presidential elections.

Last week, Rui Machete, who has been marked by his dedication to Mota Pinto, admitted the possibility that the PSD and PS [Socialist Party] might make an agreement aimed at backing Mario Soares' candidacy; thereby readopting the proposition of Capucho who, in the meanwhile, had fallen into disfavor, ceasing to play an active role in this process.

Having reached this point, we should make the following statement: Although the Social Democratic Party has already circulated the names of four candidates for Belem, it is quite likely that it has not yet found the right name.

This is because none of the four personages mentioned appears to have any great chances, not for winning the presidential elections, but for obtaining the party's consensus.

Let's begin with Dr Mario Soares.

PSD support for Mario Soares would represent a risk with unforeseeable consequences.

In fact, many Social Democratic militants would not perceive that, with PSD now in a subordinate position in the government, its leadership might fail to take advantage of the presidential elections to reaffirm the party's identity and to mobilize the members. Under these circumstances, it is not difficult to predict that, should Mota Pinto opt to support the Socialist secretary general, PSD would become divided, with one portion following the official orientation and another, perhaps a more numerous one, preferring, for example, a vote for Freitas do Amaral (who might show up as the man that has not betrayed the memory of Sa Carneiro, embarking upon sinister commitments to the left).

Let's now view the Mota Amaral hypothesis.

Having acted badly in the Congress, where he appeared simultaneously as leader of a movement and as a hopeful candidate for the presidency of the republic, the Azorean politician will hardly be backed by the PSD as a whole. In fact, in this instance the current leadership is faced with a powerful argument: How can a member of a faction, who was moreover defeated in Congress, hope to be a candidate of the party?

Mota Pinto's prospects are not any better.

Playing a secondary role in the government in comparison with Soares, his candidacy for the presidency would inevitably appear as a "second-rate candidacy." Thus, Mota Pinto would always be the weak candidate, and, as such, he would jeopardize the party's unity; because, faced with the inevitability of his defeat, the Social Democratic voters would be divided between a vote for him, a vote for Soares and a vote for Freitas do Amaral.

As for Alberto Joao Jardim, the least that could be said is that the hypothesis is illusory.

Since the Madeira leader is a man who combines a certain amount of courage (and at times even correct observations) with a complete lack of good sense, Alberto Joao Jardim can never be a candidate for the presidency, run by the second-ranking party in a country which, in spite of everything, has had a history of 8 centuries.

From the way things stand, one can readily conclude that none of the candidacies circulated by PSD to date has any great chances of success.

Still lacking is a credible candidate, with a chance of winning, who can retain the vote of the entire Social Democratic electorate and attract voters from PS and the right.

Who can it be?

I think, perhaps, a member of the military.

That, however, is a topic that we shall discuss in a forthcoming article.

Pintasilgo Candidacy Discussed

Lisbon EXPRESSO in Portuguese 26 May 84 pp 41-42

[Excerpts] With the presidential option for 1985 polarized around Mario Soares, the wagering and tests of opinion polls and among party circles have immediately started. Freitas do Amaral has appeared as a possible candidate of a regrouping of the right, but without any force (including CDS [Social Democratic Center Party] itself) sponsoring him with conviction; while Mota Amaral showed up in the lead, based on the Social Democratic hypotheses that ended up being defeated at the PSD Congress. Military names have appeared consecutively on the scene: Firmino Miguel, Lemos Ferreira, Costa Bras, Almeida e Costa. More or less illusory hypotheses have even been tested among civilians, including Mota Pinto, Lucas Pires, Salgado Zenha, Marcelo Rebelo de Sousa. Mention was even made of Alberto Joao Jardim, to "throw the game off the track." Significantly and persistently, one name has emerged from all the polls and has become prominent at the top level of popularity: that of Maria de Lourdes Pintasilgo.

Pintasilgo: a 'Disturbing' Candidate

Lourdes Pintasilgo was the unquestionable winner of the presidential "primaries" even as the image of Ramalho Eanes was starting to show an unquestionable decline. However, Lourdes Pintasilgo, because of the nature of her speech (which is inclined more toward a cultural tone than toward a political tone), the disconcerting (and certainly ambiguous) nature of her career and, finally, the unique quality of her person itself, is a "disturbing" candidate, and "disturbing" within the Eanista movement in particular.

Mario Soares seems inclined toward viewing "operation Pintasilgo" as a test started by the Eanists on the ground merely to wear him down and hurt his image within PS itself (Soares is experiencing intense, direct competition from Pintasilgo among the Socialist electorate, according to claims made in several inquiries, polls and barometers published recently). One of the most influential leaders of the CNARPE [Eanista movement] commented: "Dr Mario Soares thinks that engineer Lourdes Pintasilgo is merely a rabbit that we have sent chasing him to tire him out and fool him, while we keep the real candidate for the proper time"; stressing: "But it so happens that Soares may be deceived."

Is he, or is he not? The fact is that, at the present time, the "Eanista movement" does not yet have a definite candidate for the presidency of the republic. "We have three or four names as major hypotheses, one of which is that of a member of the military," admits the former representative from Santarem for the second candidacy of Ramalho Eanes, who is simultaneously the spearhead of the movement that is under way, among the former CNARPE, aimed at forming a party identified with the current president's image. However, in all the Eanista circles, some close to the Belem "entourage," others linked to the CNARPE structural entities, still others in the MAD [Movement for Intensification of Democracy] orbit and others still connected to the Damiao de Gois Foundation or the 25 April Association, it is confirmed that Pintasilgo is unquestionably the best established candidate at the moment.

Nevertheless, some Eanista circles retort that she is a dangerous risk, because she divides the electorate too much in terms of left-right, whereas the great Eanista trump lies in a very broad base of consensus, one that cannot be reduced to traditional political categories. Proving these circles correct is the fact that Lourdes Pintasilgo is a personage viewed hesitantly by influential sectors of CNARPE (in Lisbon and in the provinces), and by the military themselves. But this is not a linear known quantity. Other circles, at times mixed with those who question the Pintasilgo candidacy's potential, admit that the image of the former prime minister could be the one best suited to a dual personalization of the Eanista plan, which would not blot out the actual leadership and political predominance of Ramalho Eanes, now in his capacity as chief of the party (and, possibly, of the government), faced with a president of the female sex; a president who, because of the affectionate qualities inherent in Lourdes Pintasilgo, could gain ground even beyond the traditional political areas, particularly among women. But there are not lacking some who note among the proponents of the former arguments (against) and the latter (for) a significant "macho" reflex which, for reasons that are only ostensibly contradictory, might cause mistakes in judgment.

Be that as it may, Pintasilgo appears as a candidate most favored at the present time; although some influential officials in CNARPE anticipate that the image of a future president will be created based on rules that have not yet been completely tested, according to a profile that is as harmonious as possible with Eanes' political leadership after the end of his term. In this regard, it is significant that neither of the names in the military spectrum opened up to date is identified with the profile considered suited to the Eanista candidate (in the event that he ends up being an officer in the Armed Forces). Hence, names not mentioned up until now may start being "tested", such as that of Brigadier Gen Loureiro dos Santos, strangely enough, a man who was associated with the first "Rio Maioran" test in 1979, to create a political group identified with Gen Ramalho Eanes, then in the initial phase of his first term.

Pintasilgo Lead in Polls

Lisbon DIARIO DE NOTICIAS in Portuguese 24 May 84 p 2

[Text] What explanation can be given for the fact that consecutive polls on the forthcoming presidential elections indicate Maria de Lourdes Pintasilgo as the one most voted for, with percentages exceeding those of Mario Soares and Freitas do Amaral, specifically? Responding to this DN poll are: Carlos Laje (PS deputy), Montalvao Machado (PSD deputy), Nogueira de Brito (CDS deputy), Carlos Plantier (assistant editor of SEMINARIO), Medeiros Ferreira (university professor and former minister) and Teresa Costa Macedo (former state secretary).

Carlos Laje:

'There Are No Strict Guarantees'

We view those polls with the greatest circumspection. Their constant proliferation and repetition and the deepseated weekly fluctuations do not offer any strict guarantees, warranting our skepticism, because they put two situations of a different type opposite one another: a prime minister and someone who has no political responsibility.

But time will tell, showing that the current polls, like so many others, are marked by great artificiality and are, after all, illusory.

Montalvao Machado:

'Taking Advantage of a Personage Dissociated From the Parties'

1. I don't trust in the veracity of those polls. We all know how, in one way or another, it is possible to obtain results from polls that are commissioned to merely confirm in advance results that are desired by the ones who request or order them to be taken.

2. The launching of the possible candidacy of engineer Maria de Lourdes Pintasilgo, at least for the present, has no purpose other than to oppose those who may come from the political parties.

This may also hold true for taking advantage of the procurement of votes or opinions from those now dissatisfied who, subject to the present but necessary policy of austerity, do not understand or misunderstand the sacrifices being asked of them.

3. The advent of those polls, then, has no purpose other than to take advantage of a state of austerity that the government and the political forces backing it have been forced to impose on the Portuguese people, in defense of the national interests.

4. This is why the possible candidacies of Mario Soares and Freitas do Amaral appear with a lower percentage. Associated with political parties, and

possibly backed by some of them, it is obvious that they would have to show up in a subordinate position in those polls.

And I want to explain that, although neither of them is my candidate, I don't think that, in free, democratic elections, either one of them would be far ahead of engineer Maria de Lourdes Pintasilgo.

Nogueiro de Brito:

'Advantage of the Isolated Candidate'

At the outset, the polls appear to be distorted, because they put the potential candidates in a perspective of false bipolarity: on the one hand, M.L. Pintasilgo, isolated as a candidate of a certain leftist front movement; and, on the other, several candidates associated with democratic parties.

Hence, the proper comparison would be one that would put the results in a parallel position or, what would be even better, the responses relating to M.L. Pintasilgo with the combined responses relating to the other possible candidates.

On the other hand, it seems to me that the results concerning Mario Soares have a natural explanation in the great decline in his image, a result of the enormous deterioration in the government that he heads and, in particular, of the obliteration of the prime minister's personage that is evident in this government.

Finally, with respect to the comparison between M.L. Pintasilgo and Freitas do Amaral, it is explained largely by the fact that the former prime minister now appears directly linked to a process of presidential candidacy through CNARPE, whereas Prof Freitas do Amaral has not yet defined his position on the subject.

Carlos Plantier:

'Appearance of a Personage With Hope'

The reasons that the polls published during recent months in certain news media have given engineer Maria de Lourdes Pintasilgo a leading, outstanding position on a possible list of candidates for the 1985 presidential elections are not immediately clear.

And they are even less clear when, although that individual is obviously associated with the populist left, it is the upper and upper middle social classes that have contributed the highest percentage in her favor.

In addition to which it is men who have also given her majority political backing (Norma-SEMANARIO poll published on 12 May).

(Note: In the poll published in yesterday's edition on the subject of the presidential elections, some portions of the statement by Carlos Plantier

following the third paragraph, were inadvertently omitted; and we are reproducing them herewith:

"But, numbers are numbers, evidence is evidence; and there must be an explanation.

"In our opinion, the fact that M.L. Pintasilgo may be identified as the candidate of the current president of the republic may have no particular significance, when we know that the image of Ramalho Eanes (as some polls have also shown) has deteriorated during this past year.

"And, as a final note: (...) On the other hand, making excellent use of the news media which have been more accessible to her, merrily traversing Portugal, making promises that she knew there would not be time to keep, she may have been glorified by a populism lacking partisan commitment, at least ostensibly, which may still endure today."

Our apologies.

When, then, Pintasilgo? Possibly for two main reasons:

In the first place, because the Portuguese people, tired of a flawed coordination among the political parties in the regime's leadership, of the consecutive mistakes in governing and of an economic existence that has become constantly more difficult, may view engineer Maria de Lourdes Pintasilgo as a non-partisan figure, dissociated from the intrigue and opportunism that have diminished the country. In essence, a hope, even though without any very clearly defined features.

Next, because, as the former chief of an executive body announced for 100 days, preparing for elections, M.L. Pintasilgo may not yet have become "burned out" among the public at large (if not the political group).

Medeiros Ferreira:

'Superior Militant Capacity'

The position of the contending personages is quite different. Mario Soares is risking his election, exposing himself with the execution of a government policy contrary to the aspirations of his electorate; engineer Maria de Lourdes Pintasilgo appears to be protected from executive responsibilities, in addition to evoking a widespread idealism among her backers, whose militant and organizational capacity is superior to that of the Soarista officials.

Prof Freitas do Amaral has made a poor political exit, and the right wing electorate does not yet know which candidate it wants. On the other hand, the information from previous polls has lent a certain type of intoxication to the new polls; something that makes it impossible to assess the voters' natural predisposition.

In addition to which the questions are directed toward a certain group of candidates.

So, I am convinced that the decisions regarding the presidential candidacies will be made for political reasons, and not on the basis of unstable phenomena associated with popularity; for better or for worse.

Teresa Costa Macedo:

'Precipitating the Opposite Effect'

Polls are an old method in other countries, and a modern one in Portugal, for making people think, by means of a statistical process (associated with accuracy), that they are confronted with non-conjectural sociological truth. It is a magic process for making what is imaginary real.

As for the circumstantial significance of the fact that engineer Maria de Lourdes Pintasilgo has appeared as a leading candidate in the latest polls for the presidency of the republic, I would begin by saying that it has been in our time that women have reached the highest government leadership. Only that reality still entails certain intellectual and even civic contingencies, because it is difficult to separate the image of "leadership" from certain anthropological types.

As for what the so-called polls show, I am not surprised; because that is perhaps a good way of precipitating the opposite effect.

Freitas do Amaral: Doubts

Lisbon DIARIO DE NOTICIAS in Portuguese 28 May 84 p 6

[Text] There are several conclusions to be drawn from the letter that Freitas do Amaral sent to the promoters of his candidacy, recommending that they suspend the process for the time being. One of them is obvious, and he himself has expressly stated it: The proper time has not yet arrived to start operations. The other, less obvious but implicit, is that the former head of CDS did not regard the manner in which the launching of his journey to the 1985 elections was being planned to be effective.

Let's begin with the first one. According to Freitas do Amaral, "Portugal is still submerged in a serious, grave, social and economic crisis, and it cannot afford to divert its attention from combating that crisis for an election campaign lasting 18 months." No one would doubt the correctness of this remark which, moreover, coincides with the reference made by the prime minister in responding to those who want to know about his availability as a candidate for the presidency of the republic. It is so true that it might even be claimed that such a remark is by now a compulsory part of the speeches made by any respectable candidate. It is a selfless comment based on good sense which, most particularly, has the virtue of removing the presumable candidate from minor or major political games, which the public considers

unbefitting a personage with national projections. Setting forth now on a pre-electoral process, regardless of how much profit the early action might bring (and it is not net profit that it would produce), would entail the risk of not finding an available public. Because it is a fact that has, moreover, been proven by the discreet way in which the Mota Amaral hypothesis emerged and disappeared without making any major change in the situation, nor causing any shocks; it is a fact, as we said, that the 1985 elections still need more maturing so as to become an event felt by the ordinary citizen. They may be discussed every day in the newspapers, but this does not mean that they lose the distant quality with which they are viewed in the meantime. In essence, everyone has the impression that a great deal will be decided beforehand and that, even if they were to be held next week, there would be important steps to take until then. Under these conditions, any candidacy undertaken early will have the additional, not impossible but relatively difficult task of creating an atmosphere and a receptiveness that would prevent its talking in a void.

Now it is precisely this task that does not appear possible to accomplish using the means and the manner in which Prof Freitas do Amaral's candidacy is being launched. This does not preclude the possibility of its being achieved, at least initially, dissociated from the parties. What is precluded is the possibility of its being achieved in this way, and now. In this way, because a strong candidacy must necessarily be started in the hands of a group of personages with national projections and with political experience so as to know how to use the available time. Now, because the main adversary who, quite naturally, will confront Freitas do Amaral is far removed from a deteriorating image that would be entailed for him by a candidacy which will have to be, primarily, one of a break with the central bloc.

The only time that the former centrist leader, prior to this letter, broke the silence that he voluntarily assumed upon leaving the party contests, the diagnosis that he submitted of the country's situation pointed directly toward an alternative which, generally speaking, coincided with a plan similar to the Democratic Alliance. But it could not be otherwise, inasmuch as the reestablishment of a force capable of contesting the Socialists for the government does not appear viable without the "deviation" of a considerable number of Social Democrats from the central bloc to something like AD. The very departure of Freitas do Amaral from the CDS leadership may be interpreted, and some have done so, as a way of facilitating the rehabilitation of this notion around a leader who is dissociated from parties, and by this means proving that his projection transcends the narrow confines of his party. But, in the meantime, what has happened? Almost nothing that could increase Freitas do Amaral's availability to make the plan possible to materialize.

This is why the candidacy of the former number two man in the Alliance is currently dominated and even blocked by a difficulty or, if you wish, a dilemma: waiting until the desire to reestablish AD becomes a palpable reality, so as to progress later, or progressing now, so as to make it possible to accomplish what otherwise appears to be stalled? It was

apparently the first formula that has been in operation up until now, and it is through it that one can interpret Freitas do Amaral's letter. It is obvious that the same letter may also be read as the move to the second formula. But in the meantime it will be necessary to wait for its signer to cross the Rubicon of the doubts in which he continues to be submerged for the present.

2909

CSO: 3542/41

BASQUE LEADER ON AUTONOMY, POLITICAL COOPERATION, TERROR

Madrid ABC in Spanish 11 May 84 p 20

[Article by Luisa Palma]

[Excerpts] Madrid--The cream of the economic world, of business circles, banking circles and of the political spectrum met yesterday with the "Lendakari" [president of the Basque Government] Carlos Garaicoechea at a working lunch in Madrid at which he outlined his "willingness to collaborate" with the central government on many economic aspects, actions and problems which he mentioned. Later on he went even further and, as a personal choice, admitted the possibility of agreements between the PNV [Basque Nationalist Party] and national political forces "up to a certain point but not beyond certain limits."

In every way, Garaicoechea displayed prudence and even firmness in saying, "As 'lendakari,' I prefer not to make a statement." He made clear his wish not to be the "spokesman" in a matter which, in his opinion, "should be decided by the executive committee of the party." Although during the luncheon discussions the president of the Basque Government preferred to discuss economic problems, later on he referred, during an impromptu press conference, to Madrid-Vitoria relations. "I believe that now they may be more difficult than in the past due to the long duration of the breakdown of relations but there is a will and spirit of collaboration. At least I want to believe that this is so."

Reference to the next conversation between Garaicoechea and Felipe Gonzalez, which is planned for this month, was inevitable. The president of the Basque autonomous government has great hope "that a road to understanding will be found." He said, "I hope we can go ahead again with what never should have come to a stop." It is for this reason that he believes that the main difficulty which may arise in this meeting on fundamentals "is due to the spirit of 1981, and the main pitfalls are the basic laws."

Revision of the Autonomies

Garaicoechea believes that there is sufficient basis for "rethinking autonomy" especially after the Basque Country and the Catalanian elections "which brought

out the need for dealing specifically with the autonomy question." He said, "The problems of the other peoples of Spain make me shudder" but that it is evident that "they are different" from the Basque Country's problems and that "one should not close his eyes to that reality." Garaicoechea admitted his concern over the way autonomy was working out and he did not hesitate to say that he supported a Federal state worthy of the name "without confusing it with a policy of homogenization." He said, "We call for statutory recognition of the Basque Country instead of a recognition of federalism. That is more attractive to us."

Many of the participants in the long discussion agreed with the exposition of the economic problems and concurred in the desire to put an end to the current crisis in the interests of solidarity. Garaicoechea referred to this solidarity by saying that it cannot be achieved by decree and that he himself is more interested than anyone else in doing honor to solidarity. He said, "I have offered to explain to President Felipe Gonzalez the economic fluctuations, the financing of official credits, Social Security, public health and so forth. As for us, we have a strong desire to collaborate. The strategy of tension is a tune which is being played more and more often but it is the wrong tune and I reject it categorically."

The president of the Basque Government, who defended the posture of the entrepreneurs "against whom a great injustice has been committed," added concerning what had been said as to the Basque entrepreneurs conniving with GAL, "I have the absolute conviction that there is no such conniving. Among the entrepreneurs there may be one black sheep but I am proud of all of them." At this point the "lendakari" was interrupted by the applause of his listeners, which gave emphasis to his statements. Garaicoechea said that there will be no break in the unity of the market nor will there be a break in any other type of unity: "The deep feeling of Basque nationality is compatible with multinational unity and there will be no attack on any essential unity." Garaicoechea refuted accusations of ambiguity in his proposals by stating that what is being called ambiguity is in reality "a different way of thinking." Finally, he said, "The economic world will not encounter any disrupting element in our self-government."

Carlos Garaicoechea's schedule in Madrid included attendance at cultural events but he was unable to go to see Picasso's "Guernica" because at the time set aside for his visit to the Caseron del Retiro it was closed so the visit was postponed.

9204

CSO: 3548/256

'PACT OF STATE' CONSIDERED FOR RESOLVING AUTONOMY PROBLEMS

Madrid ABC in Spanish 11 May 84 p 25

[Article by Jose A. Sentis]

[Text] Madrid--The idea of a "Pact of State," among the political forces, to deal with the future of the autonomy process is beginning to crop up within the parties which, however, have the same doubts regarding the viability of any such agreement as they have toward their own positions on matters of policy concerning autonomy.

In government circles, beginning with the stand of Tomas de la Quadra, minister of Territorial Administration, the political and administrative decentralization process is considered a "great undertaking"--a transformation of the state's structure--in which the advantages are greater than the disadvantages and compensate to a certain extent for the problems and disorder involved in such a process whether they are of an economic nature--increase of expenses and bureaucracy--or of a political nature--establishment of regional centers of power which tend to give priority to their own needs over the common needs of the state.

A government bill is being drafted--first constitutional reading--according to which there are to be the four historical autonomous states of Catalonia, Galicia, Basque Country and Andalusia--some with a greater history than the others--whose autonomy will be covered by the legal authority set down in the statutes growing out of Article 151 of the Constitution while the rest will be covered by the possibilities contained in Article 143.

Open Constitution

Politicians consulted by ABC do not believe, however, that the procedure will be that simple since the constitution is "open" regarding the autonomy process. Thus autonomous states established under Article 143, after the constituent period, may begin the procedures for attaining the limits planned for the autonomous states under Article 151. Moreover, all of the autonomous states, assuming they reach the "broad autonomy" stage, can start to apply for the exclusive government powers not provided for in the respective autonomy statutes under Article 150, Section 2 of the text of the constitution. This section states, "The government may transfer or delegate to the

Autonomous Communities by an organic law, powers relating to matters pertaining to the state which by their very nature are capable of being transferred or delegated." In addition, it provides that the law will cover the financing of these transfers.

However, government and PSOE [Revolutionary Labor Party of Spain] circles consulted by this newspaper stated that for the moment they are confident that this process will not be carried to completion. Their confidence is based on the fact that the socialists are in power in several autonomous communities and their influence will cause these communities to "moderate" goals as to the degree of their self-government.

Wearing Down Tactics

But leaders of other parties see the matter as more problematical because, although the government of a community might introduce a great deal of "common sense" and "financial austerity" in its proposals, what still remains unforeseeable is the conduct of the opposition in that community since it could press demands for autonomy as a formula for wearing down the government so as to make gains in an election. In such a case, a nationalist leader told ABC, "the PSOE will have to remain silent, because this is the tactic it used in Andalusia to wear down the UDC [Democratic Center Union] by raising the banner of autonomy and comparative grievances. This, in brief, is the source of the problems in the shaping of the autonomous state." According to the views of this nationalist leader the configuration originally planned was to grant a broad measure of political autonomy to Catalonia and the Basque Country and a level of basically administrative and managerial autonomy to the remaining communities. This leader, who denounces the tendency of the socialists to advocate generalized autonomy of the communities, said, "The PSOE is paying for its errors, not because all communities can reach the same level but because they attempt to equalize downward: instead of coffee for everybody, they advocate chicory for everybody. Nationalist circles say that for these reasons, to appeal to common sense in the spread of autonomy--if they do not have the collaboration of the opposition within the framework of the state parties--is an enterprise with doubtful hope of success. Therefore a "Pact of State" setting the levels is necessary.

9204

CSO: 3548/256

PALME CHARGES MODERATES DESTROYING FOREIGN POLICY CONSENSUS

Stockholm DAGENS NYHETER in Swedish 25 May 84 p 5

[Op Ed article by Olof Palme]

[Text] We are now in a new situation, For a long time, we have had unity behind our foreign policy. The behavior of the Conservative Party leadership indicates that this unity is no longer intact. They are now representing a different policy, according to Prime Minister Olof Palme.

Our schoolchildren see nuclear war as the overshadowing threat of our time. This concern has become deeper during the past 6 months. While a totally new generation of nuclear weapons is being deployed in Europe, we are receiving more and more reports on the horrors of nuclear war. One of the latest contributions is the international research report on the Arctic winter that would follow a nuclear war. Everyone would be affected--both in the north and in the south. Humanity probably would not survive such a war.

In this situation, all negotiations on these lethal weapons have broken down. Contacts between East and West have been reduced to a minimum. The dialog has become practically silent. Instead, there is more and more confrontation. This is a confrontation that involves greater and greater risks.

We in the Nordic countries are also affected by the increasing tension in the world. The major powers have begun to show more and more strategic military interest in the Nordic region. With increased tension in the rest of Europe and throughout the world, there has been an unwelcome change in the attitudes of the major powers. But this does not change the foundation of our security policy. Sweden's policy of neutrality remains intact even in a changed global situation. This stability in our policy is of great value in itself.

For a long time in our country, citizens have been secure in their feeling that Sweden is conducting a consistent policy of neutrality aimed at keeping our country out of armed conflicts. The broad unity that has supported this policy has strengthened the people's belief and desire that it be carried out. The strong support among the people for this policy of neutrality has been a strength for us as a nation. According to this policy, we will spare no effort

to safeguard our territorial integrity and maintain our independent foreign policy. At the same time, it means that we will seek good relations with other nations in our region under conditions of mutual respect for the principles of international relations.

As in so many other areas, it is when the external pressure increases that our political resolve is put to the test. We all are aware of the violations of our territory, against which the Swedish government has reacted sharply. In addition, the commander in chief has reported a number of boundary violations along our coasts during the past year. In a serious situation of this type, we must maintain and defend the interests of Sweden with calm, determination, and consistency. A broad majority in the Swedish parliament is in agreement with this.

In precisely this sensitive situation, the Conservative Party has called for a battle over foreign policy. Primarily, they have chosen not to attack the government on particular issues. Instead, they are attacking on all kinds of procedural issues. They are casting suspicion and making insinuations. They hint that the government is lying and deceiving the foreign affairs committee. We have seen numerous examples of these tactics during the past year.

Of course, there is a political purpose behind this. They want to undermine people's confidence in the country's government. But why would they do this in the area of foreign policy, where the Social Democrats sought unity in the interest of the nation while our party was in the opposition? The only possible answer is that they know the Social Democrats have a tradition of strong support among the voters in the international arena. People are accustomed to relying on the Social Democrats on foreign policy matters. Our party does not become involved in adventurism. We are working for peace and mutual understanding. Apparently, the Conservatives believe that if they can destroy this confidence by their constant insinuations toward our foreign policy, they will be able to undermine the government's position among the voters.

At the same time, the Conservatives say in public that they are seeking unity on foreign policy. This is not believable. If they wanted to maintain unity behind our foreign policy in this sensitive situation, they would be less eager to seek conflict, make vicious accusations, and--as has occurred--risk being caught in obvious inaccuracies.

We also have seen, for some time now, that the Conservatives have sought conflict over the content of our foreign policy while our national interests were on the line, although outwardly they have stressed criticism of formal aspects of our foreign policy.

Back in the 1982 election campaign they criticized the middle-party government of that time, under the leadership of Thorbjorn Falldin for not wanting or daring to defend the country's interests with sufficient vigor--in the submarine question and in the boundary dispute in the Baltic Sea.

They have continued in this vein since the election. One popular theme is to accuse the present government of giving in to the Soviet Union. This has been done not only with regard to the submarine question and its various consequences. It also has been said in connection with Sweden's position on various questions concerning peace and disarmament. Obviously, such groundless attacks can damage our national interest in certain cases. The Conservative platform and Conservative Party proposals also indicate that the liberation of Eastern Europe is a prerequisite to peace and Conservative students have proposed a mutual aid treaty between Sweden and NATO.

It is becoming more and more clear that the Conservative Party advocates a separate foreign policy. The Conservatives themselves consider our differences to be significant, as indicated by Conservative Party leader Ulf Adelsohn's assertion that our present foreign policy is extremely damaging to the country.

As a result, the Conservatives have caused a split in Sweden's foreign policy. They have dragged us into a series of dismal debates. We Social Democrats have been forced to take part in these debates. When the Conservatives accuse us of being two-faced, we must reject these assertions vigorously. This is vital to our foreign policy. When they claim that representatives of the government lie to the foreign affairs committee, this also must be countered, even if a meeting with the foreign affairs committee is required. This is of vital importance in a general political sense. There is no doubt about this. And whenever the Conservatives make unreasonable accusations of a similar kind, we will not hesitate to debate them. This is necessary for the basic credibility of Sweden's policy of neutrality.

The Conservatives also are critical of the peace effort that is traditional in Sweden. One indication of this is that they have demanded that I resign as chairman of the independent disarmament commission. This commission presented its final report in June 1982. All that remains is a series of follow-up meetings in which they would not permit me to participate.

The reason is clear. The Conservatives cast suspicion on practically all new peace initiatives. They oppose virtually all contacts in which representatives of both the West and the Soviet Union participate. They are ignoring a fundamental foreign policy fact: the only way to promote dialog and the reduction of tension in this dangerous time is to create contacts between East and West.

It is important for Sweden, as a small neutral country, to help reduce tension between the major power blocs and reverse the dangerous arms spiral. This has been a consistent part of Sweden's foreign policy. In a time when dialog between the superpowers seems to be at a standstill, it must be in the interest of Sweden to proceed with its traditional peace effort. Although the Conservatives are now questioning vital areas of Swedish foreign policy, I am convinced that this policy of peace and security has broad parliamentary support, based on the support of an overwhelming majority of the citizens.

We are now in a new situation. For a long time now, we have had unity behind

our foreign policy. The behavior of the Conservative Party leadership indicates that this unity no longer exists. We say this with regret--and probably must become accustomed to the idea. The Conservative Party, or at least prominent members of it, advocates a different foreign policy.

This increases the importance of determination and consistency on the part of all those who would defend Sweden's traditional policy of neutrality.

9336

CSO: 3650/206

SOVIET SUBMARINES BELIEVED RECONNOITERING NEAR FAROE ISLANDS

Geneva JOURNAL DE GENEVE in French 24 May 84 p 5

[Article by Camille Olsen: "But what are the Soviets Doing in the Faroe Islands?"]

[Text] After having haunted the Swedish and Norwegian coasts for a long time--and more recently the banks off Greenland--mysterious, unidentified submarines have begun to explore the area near the coast of the Faroe Islands.

On several occasions this spring fishermen of the Faroe Archipelago have detected the presence of these submarines and their comings and goings on their sonar gear. A few days ago they even saw one slip by on the surface, with its periscope extended, in the middle of Skolefjord (Schoolchildren's Fjord). As if by accident, there is a ship repair yard on this inlet which for months has been repairing Soviet ships on a continuing basis.

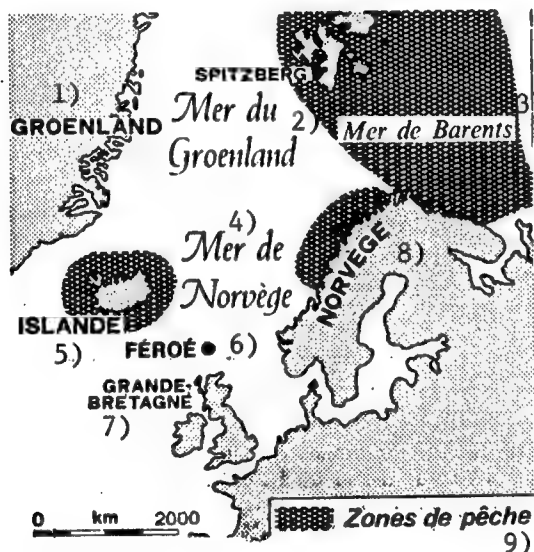
A bilateral trade agreement was negotiated and signed in 1978 between Moscow and Thorshavn, the capital of the Faroe Islands, with the approval of Copenhagen. It has been kept up to date since then. The agreement provided in effect that the Russians were authorized to fish for large quantities of mackerel within the territorial waters of the 18 Faroe Islands during certain seasons of the year. The Russians have also had their trawlers repaired there in exchange for an annual payment of 2.5 million Swiss francs. Since this ship repair arrangement went into effect, there has always been one or several trawlers in the shipyard at Skolefjord, as well as 200 to 300 Soviet sailors charged with guarding these ships and maintaining them. A number of observers in the Faroe. Danes and others, were astonished that the Soviets would send their trawlers for overhaul at a place several thousand kilometers from their home base. Do the compatriots of Lenin have such a high regard for the efficiency and skill of the shipyard workers in the Faroe Islands?

In any case, this bizarre situation led the Danish intelligence services to open their eyes and to collect from the local people all possible details concerning the behavior of the Soviet crews who, during the time when their ships are under repair, seem to be having a kind of vacation in the vicinity of the shipyard. The crews spend their time visiting the people living on the most isolated farms in the islands. They reportedly amuse themselves climbing the basalt cliffs and the grass-covered slopes, not with fishing poles or butterfly nets but with compasses and scientific instruments which are even less suitable for an outing in the country.

People of the Faroes Are Realists

You cannot accuse the 40,000 people of the Faroe Islands, in general, of having pro-Soviet feelings. However, they called themselves realists in 1978 when they were concerned at seeing their traditional fishing grounds closed, one after the other, because most nations of the world carried out to 200 miles their Exclusive Economic Zones. They immediately responded when the Kremlin offered them large quotas of cod and shrimp in the Barents Sea. Regarding the repair of the trawlers, this made it possible for them to deal with any threat of unemployment--a rather unknown development at this latitude.

Situated in the middle of the North Atlantic, 350 kilometers North of Scotland, the Faroe Islands have major strategic significance. However, no foreign force--even on a reduced scale--is stationed there. They are only protected by a powerful NATO radar station, manned exclusively by Danish military personnel. Within the structure of the Kingdom of Denmark the Faroe Archipelago has a status of full internal autonomy. Up to now it has declined to join the EEC, and its representatives have not always declared themselves satisfied over the past few decades with the way the EEC has treated their vital interests.



Key:

- | | |
|--------------------|------------------|
| 1. Greenland | 6. Faroe Islands |
| 2. Greenland Sea | 7. Great Britain |
| 3. Barents Sea | 8. Norway |
| 4. Norwegian Basin | 9. Fishing Zones |
| 5. Iceland | |

5170

CSO: 3619/64

RELUCTANCE OF LEFT TO RENEW SUB FLEET WORRIES FRG, NATO

Munich SUEDEDEUTSCHE ZEITUNG in German 10 May 84 p 62

[Text] The Danish government wants to rent three submarines from the FRG navy. Defense Minister Hans Engell expressed this wish to the defense minister in Bonn, Manfred Worner, as early as the end of last year at a NATO meeting. No until recently at the NATO meeting in Turkey did Engell repeat the wish, for which Worner up to then had only held out the prospect of careful consideration. The first question, according to the Defense Ministry, is whether it is at all legally possible to rent weapons systems from Federal defense supplies to NATO partners, even if they have German crews wherever possible. Besides this, no one knows -- for lack of previous experience -- just where possible income from the submarine leasing could be recorded in the budget.

At present Denmark has six submarines, of which four are already a quarter of a century old. The purchase of three new submarines would cost about 750 million marks. At present there is obviously no majority in the Danish parliament for this expense. Therefore the government and the opposition, in their annual efforts toward a consensus in defense expenditures, came upon the idea of renting old submarines from their German neighbors instead of buying new ones.

But the Germans have been rather cool toward this idea because the Federal navy already makes up 70 percent of the naval forces of NATO in the Baltic Sea today, and all of the naval air forces. Even if the Danes rented three German boats (which must also be modernized) as replacements for their own submarines that are ready to be scrapped, there would still be a submarine deficit in the Baltic Sea, for the Federal navy doesn't have any money either to build new ones in coming years. In the beginning of the 1990's, six obsolete boats of the 205 class are to be replaced by larger, 211 class boats equipped with the help of Norway. But they are mainly to cruise in the North Sea. The 18 more modern boats of the 206 class, which the Danes are actually looking at, are to remain in German service far into the 1990's. But the Danish wish is aimed at the immediate years to come.

In Bonn it is now feared that the Danes, whose financial and political engagement with NATO keeps sinking, want to completely pull out of the front line defense of the Baltic Sea with submarines. This might possibly be the first step to pull Denmark's navy -- with the exception of direct coastal defense with mines -- out of the Baltic Sea. But this, one hears in NATO

circles, would be neither in the interests of Denmark nor of the alliance; certainly not at all in Bonn's interest, for the Federal navy has neither men nor boats nor money enough to protect the passage from the Baltic Sea to the North Sea with its own forces.

9124

CSO: 3620/297

OBSOLESCENCE OF AIR FORCE PLANES CRITICIZED

Lisbon O JORNAL in Portuguese 11-17 May 84 p 13

[Article by Cesario Borga]

[Text] Do you know why the "Portuguese Wings" did not perform on 25 April? It is because the planes were out of service. Of the air force's 20 A-7 Corsairs, rarely do more than six or seven manage to fly. The problems which have arisen with the A-7's cause one to wonder about the conditions under which other countries have lent Portugal military assistance, normally a part of contracts calling for the use of Portuguese bases.

Although the show put on by the Italian acrobatic air squadron on 25 April was undeniably a beautiful spectacle, it resulted, by contrast, in a much less favorable image for the Portuguese Air Force [FAP]. What television ended up showing over an extended period was one powerful air force, adroit, well-equipped to fly (the Italian) and the other, the butt of commentaries, on the ground, desirous but incapable of taking off and putting on a show. In fact, two of the six planes which comprise the "Portuguese Wings" squadron were in the hangar for repairs. It is true that, a few months prior to that time, an A-7 formation had flown over the parade which was threading its way down Avenida da Liberdade. The air force's operational image was saved by the skin of its teeth. In truth, the Portuguese planes which furrowed the Lisbon sky are the few A-7's which still manage to take off, despite the fact that they represent the air force's latest and most sophisticated acquisition.

The FAP is presently perhaps the best infrastructured branch of the armed forces, benefitting from adequate maintenance facilities and computer technology as well as trained personnel; competent, in many aspects a reflection of and challenge to civilian aeronautic activity. But all this does not compensate for the shortage of planes; nor does it offset the errors in planning which, from what we have learned, were allegedly committed in recent years.

After All, O JORNAL Was Right

In August 1982 O JORNAL published a news item under the interrogative headline: "FAP Fighter Planes, Junk in the USA?" This aroused the ire of Gen Lemos

Ferreira, then air force chief of staff. Six months before, the first shipment of new A-7 Corsair II planes had been received with pomp and circumstance. Television coverage, Defense Minister Freitas do Amaral at the controls. Briefly, the O JORNAL news item stated that the Americans were replacing the "Antiquated" F-4 Phantoms and A-7 Corsairs with the ultrasophisticated F-A 18 Hornets and that U.S. pilots made no bones about classifying as "junk" the type of planes which had arrived in Portugal 6 months previously. The general did not like this and was within his rights. After all, the planes did fly and were far superior to the Fiat G-91's which Germany had sent us...

The Spaniards had opted for the F-A 18 in order to become re-equipped with fighter craft by the end of the century, and the Greeks preferred a smaller squadron of A-7's, new and not rebuilt. But, in this instance as in others, each one has its right to choose. Secondhand A-7 planes were arriving in Portugal, reconditioned, without spare-part stocks. There are now 20 in the Monte Real air-base hangars, but only five are in condition to fly.

This situation which, from what we have learned, is not unique (the Fiats are also having problems with spare parts) causes us to wonder particularly about the conditions under which foreign military assistance is being furnished; in most instances, the assistance is not properly speaking a gift inasmuch as compensation is paid in the form of facilities granted to those countries (such as the Lajes base to the USA and the Beja base to the FRG). Moreover, it is questionable as to how it is decided to accept equipment and armaments placed at Portugal's disposal. What controls exist in the countries of origin? What guarantees are offered for maintenance of the equipment? What provisions exist for suing the foreign companies or departments responsible for the "assistance," if they do not fulfill their commitments? The lack of thoroughness in the selection, including previous verification of the equipment and its operation, can transform the equipment thus received into downright scrap iron as the months go by. According to our judgment, this is the risk presently being run in the case of our air force.

Of the planes with which that branch of the armed forces is equipped, the only ones which are problem-free are the C-130's, even though there are complete inspection procedures with regard to the Aviocars and the Fiats.

The planes used by the "Portuguese Wings," the T-37's, are being carefully gone over at the Alverca maintenance shop due to fractures which appeared in two motors. If proper maintenance involves complete replacement of the motors, the "Wings" risk not flying for many months and, in the near future, not managing to schedule more than about 10 shows per year--the number of exhibitions they have been putting on.

8568

CSO: 3542/39

DIW URGES CHANGES IN THRUST, STRUCTURE OF SUBSIDY POLICY

West Berlin DIW WOCHENBERICHT DES DEUTSCHEN INSTITUTS FUER WIRTSCHAFTSFORSCHUNG
in German 17 May 84 pp 231-239

[Text] In view of our economic problems, especially mass unemployment, it is hardly possible to deny a greater need for the state to act. At the present time the top priority accorded the consolidation of the public budget has tended to emphasize a general and rigorous cut in subsidies. This unilaterally fiscal consideration does not really do justice to the greater need for action. Instead it is imperative within the framework of efficient and purposeful subsidies not only to carry out cuts but also shifts and reorganizations in the subsidy budget.

The debate on subsidies suffers from the wide variety of interpretations of the term "subsidies." The study at hand is based on the results of the DIW 1983 structural report and refers in part to the national accounts (VGR)--especially when subsidies are described for the entire entrepreneurial sector in the course of a period of time. We have used our own computations for sector analyses, using subsidy reports and, above all, federal and Laender budget plans.

We include among subsidies to enterprises financial aids provided by the Federal Government, the Laender, the Federal Institution for Labor, the ERP [European Recovery Program] Special Fund, the EC, tax concessions and state decreed contributions (coal penny). The entrepreneurial sector is here defined in accordance with the VGR, in other words it also includes housing construction and the Federal Railways. The tax concessions granted the enterprises largely correspond to the computations in the subsidy reports.

Development and Structure of Subsidies

The trend of spending on subsidies in recent years demonstrates that the restraints that many had advocated for years, have in part been realized. While subsidies more than doubled in 1970-1979, they declined through 1982.

A distinctive feature of the system of subsidies is the strong concentration on only a few sectors of the economy. In 1982 more than 70 percent of all subsidies were accounted for by the main recipients--Federal Railways, rented housing, agriculture, food trades, the wholesale trade and mining; indeed, the share of these sectors has risen slightly by comparison with 1970. The development varied quite sharply for the main recipients of subsidies after 1979 also:

Up to 1979 the branches of the economy studied here obtain more subsidies each year, with the exception of agriculture (see Table). The decline for the latter must, however, be viewed from the perspective of changed EC policies in connection with the rising subsidies for the food trades and the wholesale trade. After 1979 agriculture, the food trades, mining and the railroad were compelled to resign themselves to some quite hefty cuts. On the other hand, the wholesale trade and housing construction enjoyed well above average increases in their subsidies. The problems of the shipbuilding and iron and steel producing industries resulted in steadily growing financial aid after 1982.

Subsidies¹⁾ for Selected Branches of the Economy

| | (1) | | | | | (2) | | | (3) | | (4) | | | (5) | | |
|--------------------------------|------------|-------|-------|-------|-------|-------|-------|-------|--|-----------|--------------------------------------|------|------|-------------------------|-------|-------|
| | in Mrd. DM | | | | | in vH | | | Durchschn. jährliche Veränderung in vH | | je 1000 DM Bruttowertschöpfung in DM | | | je Erwerbstätigen in DM | | |
| | 1970 | 1973 | 1976 | 1979 | 1982 | 1970 | 1979 | 1982 | 1979/1970 | 1982/1979 | 1970 | 1979 | 1982 | 1970 | 1979 | 1982 |
| (6) Land- und Forstwirtschaft | 4,49 | 4,59 | 4,06 | 3,90 | 2,65 | 21,2 | 7,9 | 5,7 | -2 | -12 | 206 | 126 | 72 | 1983 | 2639 | 1914 |
| (7) Ernährungsgewerbe | 0,86 | 1,54 | 2,89 | 4,26 | 3,51 | 4,1 | 8,6 | 7,6 | 19 | -6 | 34 | 96 | 71 | 909 | 4781 | 4172 |
| (8) Großhandel | 2,15 | 1,90 | 2,51 | 4,08 | 4,73 | 10,2 | 8,3 | 10,3 | 7 | 5 | 63 | 64 | 66 | 1567 | 3269 | 3801 |
| (9) Energie-, Wasserversorgung | 0,33 | 0,89 | 1,10 | 1,48 | 1,69 | 1,5 | 3,0 | 3,7 | 18 | 4 | 22 | 40 | 38 | 1351 | 5606 | 6206 |
| (10) Bergbau | 0,93 | 1,38 | 2,50 | 4,82 | 4,32 | 4,4 | 9,8 | 9,4 | 20 | -4 | 114 | 399 | 306 | 3015 | 20696 | 18230 |
| (11) Chemische Industrie | 0,31 | 0,57 | 0,78 | 0,76 | 0,93 | 1,5 | 1,5 | 2,0 | 10 | 7 | 13 | 16 | 20 | 477 | 1210 | 1524 |
| (12) Eisenschaffende Industrie | 0,13 | 0,16 | 0,18 | 0,24 | 0,37 | 0,6 | 0,5 | 0,8 | 7 | 16 | 12 | 15 | 25 | 340 | 777 | 1338 |
| (13) Maschinenbau | 0,37 | 0,76 | 1,10 | 1,26 | 0,93 | 1,7 | 2,6 | 2,0 | 15 | -10 | 13 | 24 | 15 | 300 | 1148 | 860 |
| (14) Schiffbau | 0,09 | 0,20 | 0,30 | 0,20 | 0,35 | 0,4 | 0,4 | 0,8 | 9 | 21 | 71 | 89 | 117 | 1236 | 3373 | 6000 |
| (15) Luft- und Raumfahrzeugbau | 0,16 | 0,23 | 0,32 | 0,42 | 0,48 | 0,8 | 0,9 | 1,0 | 11 | 5 | 181 | 154 | 102 | 3839 | 8364 | 8241 |
| (16) Elektrotechnik | 0,55 | 0,70 | 1,05 | 1,19 | 1,24 | 2,6 | 2,4 | 2,7 | 9 | 1 | 21 | 23 | 21 | 457 | 1065 | 1174 |
| (17) Eisenbahnen | 3,61 | 7,43 | 11,18 | 11,08 | 9,36 | 17,1 | 22,4 | 20,3 | 13 | -5 | 393 | 889 | 702 | 8734 | 30865 | 27131 |
| (18) Schifffahrt, Häfen | 0,67 | 0,75 | 0,88 | 1,05 | 0,88 | 3,2 | 2,1 | 1,9 | 5 | -6 | 207 | 213 | 146 | 7473 | 13414 | 11995 |
| (19) Übriger Verkehr | 0,32 | 0,51 | 0,54 | 0,90 | 0,81 | 1,5 | 1,8 | 1,8 | 12 | -3 | 23 | 29 | 22 | 712 | 1690 | 1499 |
| (20) Wohnungsvermietung | 2,38 | 3,44 | 4,95 | 6,57 | 7,90 | 11,3 | 13,3 | 17,1 | 12 | 6 | - | - | - | - | - | - |
| (21) Sonstige Dienstleistungen | 0,57 | 0,61 | 1,70 | 1,30 | 1,10 | 2,7 | 2,6 | 2,4 | 10 | -6 | 10 | 8 | 5 | 255 | 496 | 396 |
| (22) Summe aller Subventionen | 21,12 | 29,69 | 42,96 | 49,41 | 46,13 | 100,0 | 100,0 | 100,0 | 10 | -2 | 37 | 43 | 34 | 921 | 2312 | 2224 |

Key:

1. Billion DM
2. Percentages
3. Average annual percentage change
4. Per DM1,000 gross product in DM
5. Per gainfully employed person in DM
6. Agriculture and forestry
7. Food trades

[Key continued on following page]

- | | |
|---|--------------------------------|
| 8. Wholesale trade | 16. Electrical engineering |
| 9. Energy, water supply | 17. Railroads |
| 10. Mining | 18. Shipping, ports |
| 11. Chemical industry | 19. Other transportation |
| 12. Iron and steel producing industry | 20. Rental housing |
| 13. Machine construction | 21. Other services |
| 14. Shipbuilding | 22. Sum total of all subsidies |
| 15. Aircraft and space vehicle construction | |

1) Financial aid by the Federal Government, the Federal Institution for Labor, the ERP Special Fund, the EC and inclusive of the coal penny; tax concessions by the Federal Government, the Laender and local authorities.

Sources: Federal Office for Statistics, Special series 18; Budget Plans of the Federal Government; subsidy reports; DIW computations.

The extent of a subsidy may be established by relating the subsidies for one sector of the economy to its net product. By this criterion, too, the Federal Railway is the top recipient of subsidies, followed a long way off by mining. In the average of the branches of the economy, the extent of subventions rose through 1979 but subsequently dropped even below the 1970 level.

When we relate the rise in subsidies to the growth of production in the sectors of the economy, above average rates in the growth of subsidies correlate in only a few branches (aircraft construction and energy supply, for example) with above average rates of growth in the net profit from 1970-1982. On the other hand, the gross product has risen less than average in some branches of the economy, despite advanced rates of increase in subsidies: Examples are mining, the iron and steel producing industry and the food trades. Evidently subsidies are able only to "socially cushion" market processes; they can neither delay nor reverse them.

Another indicator for subsidies to a branch of the economy is the ratio of subsidies to the labor force. This indicator does not produce a very different result either, but there are sector differences depending on the level of employment and sector specific advances in productivity. Particularly distinctive here also are the relatively large subsidies for aircraft construction.

In summation we may claim that the emphasis of subsidies has shifted since 1970, in favor of electricity supply, mining, rental housing and the railroads, also of chemicals, shipbuilding and aircraft construction. Despite large subsidies, the decline in manpower has been considerable in the period 1970-1982 with respect to agriculture (-39 percent), mining (-24 percent), railroads (-16 percent), while there has been some growth in energy supply and aircraft construction

Taxation and Subsidies

Subsidies may be properly appraised only within the framework of all financial transactions between state and enterprise. Taxes and subsidies significantly

affect entrepreneurial attitudes; in the spectrum of crucial decisionmaking factors they are often paramount. The burden or relief effects caused by the taxation and subsidy system are completely evident only when we confront the enterprises' gross payments of direct and indirect taxes with the financial aids granted, including tax concessions lumped together in cash tax revenue.

Gross taxes show the liabilities that would have arisen if it were not for the concession. Correspondingly, gross taxes diminished by financial aid and tax relief are described as net taxes. When they are related to the gross domestic product, we obtain the gross and net taxation ratio. The difference between the two is an indicator of the total relief enjoyed by the firm as the result of subsidies (financial aid and tax concessions).

The tax burden varies considerably in the sectors. The proportion of indirect taxes predominates in branches of the economy subject to high consumption taxes (oil, tobacco, beverages). In the case of indirect taxes, the extent of the liability is affected by the kind of organization that is typical for the branch; corporations (AG's [joint stock companies], KG's [limited partnerships] and GmbH's [companies with limited liability]) usually pay more direct taxes. This affects mainly the processing trades, the fuel and electricity industries and mining.*

The graph shows the development of gross and net taxation ratios as well as the relief granted firms by subsidies, in other words subsidies as a percentage of gross taxation. According to this corporate liabilities with regard to direct and indirect taxes have, with some fluctuations, declined by 1½ percent in the period 1970-1982. Due to the cyclical situation and the corporation tax reform (introduction of a uniform and higher tax rate), they rose in 1977, back to the 1973 level. Subsequently and despite some increases in indirect taxes, successive income tax reductions contributed to a renewed decline. After 1980 the economic situation is most likely to have caused the continuing drop.

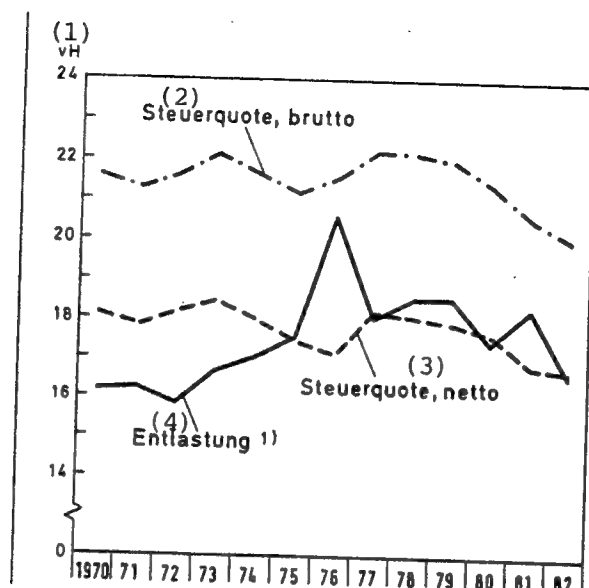
The gap between the gross and net taxation ratios is around 3 percent. Reliefs tended to rise until the late 1970's but have fallen back since 1980. There was a spectacular jump in tax concessions in 1976; this was due mainly to that year's sharp increase in the volume of the investment subsidy.

However, this total development of tax relief hides considerable differences in the various sectors. With regard to the data available, we are showing examples of these sectional burdens and reliefs, based on tax statistics and data provided by the DIW input-output calculation, estimated for particular years. Despite some remaining vagueness, the following picture emerges (see graph).

*

See "Total Economic and Structural Effects of Changes in the Structure of the Public Sector, Key Topic of the 1983 DIW Structural Report," shortly to be published in the series "Contributions to Structural Research."

Taxation and Subsidies of Enterprises 1970-1982 (as percentages of the gross domestic product)



Key:

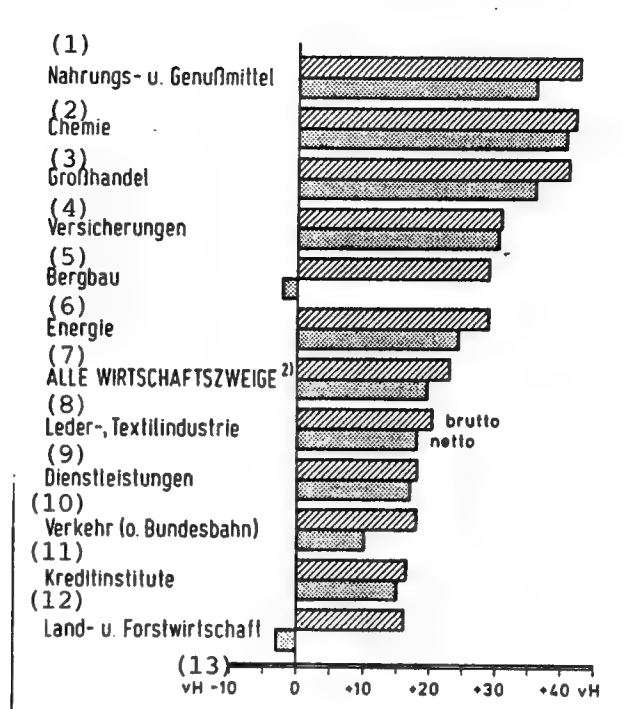
- | | |
|-------------------------|-------------------------|
| 1. Percent | 3. Net taxation ratio |
| 2. Gross taxation ratio | 4. Relief ¹⁾ |

1) Subsidies as a percentage of gross taxation

Source: Federal Office for Statistics, Special Series 18; subsidy reports; budget plans; DIW computations.

In 1977 the gross liability amounted to 16-43 percent. The system of subsidies increases the sectional differences; the net liability ranges from - 3 percent to + 42 percent. Some firms are subsidized to such an extent that the aid received exceeds the computed gross taxes. This applies most of all to farming. Despite a relative decline in subsidies, agriculture still got so many government subsidies in 1977 (while paying taxes at the rate of 16 percent only), that it received more money than it paid. Also in 1977, the rising subsidies for the mining industry turned this sector into a net recipient. Due to its far-reaching tax exemption, the Federal Railways has long been a net recipient, too. Despite large subsidies granted shipbuilding, aircraft construction and the food trades, the processing trades receive less than average concessions.

Gross and Net Taxation Ratios¹ in Selected Branches of the Economy 1977



Key:

- | | |
|-------------------------------------|--|
| 1. Essential and nonessential foods | 7. All branches of the economy ² |
| 2. Chemicals | 8. Leather, textile industry |
| 3. Wholesale trade | 9. Services |
| 4. Insurance | 10. Transportation (excluding Federal Railway) |
| 5. Mining | 11. Banks |
| 6. Energy | 12. Agriculture and forestry |
| | 13. Percent |

1) Direct and indirect taxes as percentage of the gross domestic product of the various branches of the economy: Gross: Taxes before deduction of the tax concessions; net: Gross less tax concessions and financial aid. 2) Excluding Federal Railway, Federal Post Office and rental housing.

Sources: Federal Office for Statistics, VGR; subsidy reports; income and corporation tax statistics; DIW computations.

The Aims of Subsidies

The aims of subsidies must always be the criterion for their use and the appraisal of their results. Unfortunately the reasons given in the subsidy reports with regard to the various measures do not often allow us clearly to recognize these aims, and the aims themselves tend to overlap. Sometimes

Subsidies¹⁾ by Aims (percentages)

| | 1970 | 1973 | 1976 | 1979 | 1982 |
|--|----------|----------|----------|----------|----------|
| 0 VERKEHRSINFRASTRUKTUR | 15.26 | 22.00 | 22.10 | 20.30 | 18.50 |
| 1 UMWELTSCHUTZ | 0.40 | 0.60 | 0.60 | 0.50 | 1.00 |
| 2 FORSCHUNG UND ENTWICKLUNG | 1.50 | 2.50 | 2.40 | 4.50 | 5.30 |
| 2.1 FÖRDERUNG NEUER TECHNOLOGIEN | 1.20 | 1.20 | 0.70 | 1.10 | 1.40 |
| 2.2 ERSTINNOVATION | 0.00 | 0.00 | 0.10 | 0.20 | 0.20 |
| 2.3 MARKTEINFÜHRUNG | 0.00 | 0.00 | 0.00 | 0.20 | 0.00 |
| 2.4 HUMANISIERUNG | 0.00 | 0.00 | 0.10 | 0.20 | 0.20 |
| 2.5 TECHNISCHE SICHERHEIT | 0.00 | 0.20 | 0.10 | 0.20 | 0.30 |
| 2.6 INFORMATIONSSYSTEME | 0.10 | 1.00 | 0.00 | 0.60 | 0.50 |
| 2.7 BIOTECHNOLOGIE | 0.00 | 0.00 | 0.00 | 0.30 | 0.20 |
| 2.8 ENERGIE TECHNOLOGIEN | 0.00 | 0.00 | 0.50 | 1.00 | 1.40 |
| 2.9 F.U.E. KLEINER UND MITTLERER UNTERNEHMEN | 0.00 | 0.10 | 0.10 | 0.00 | 1.10 |
| 3 MODERNISIERUNG, RATIONALISIERUNG, UMSTRUKTURIERUNG | 5.70 | 2.60 | 2.10 | 2.60 | 1.50 |
| 4 GROSSENTEILS ERHALTUNGSVENTIONEN | 31.00 | 32.70 | 29.60 | 34.00 | 36.00 |
| 4.1 DIREKTE PREISVENTIONIERUNG | 2.20 | 3.00 | 3.00 | 3.00 | 4.70 |
| 4.2 ALLGEMEINE STÜTZUNGSMASSNAHMEN | 8.10 | 10.20 | 9.10 | 7.10 | 4.60 |
| 4.3 MARKTFÖRDERUNG, DEKORATION | 7.40 | 4.90 | 5.10 | 10.70 | 12.20 |
| 4.4 MARKTORDNUNG | 4.50 | 3.00 | 3.30 | 7.90 | 7.00 |
| 4.5 PRODUKTIONSKUTZUNGS + STILLERUNG | 2.90 | 1.40 | 0.50 | 0.00 | 0.00 |
| 4.6 SOZIALPOL. ZUSCHÜSSE FUER STRUKTURELLE SCHWACHE BRANCHEN | 9.70 | 7.10 | 4.30 | 4.30 | 3.00 |
| 5 WOHNUNGSWESEN | 10.10 | 10.40 | 9.00 | 12.10 | 13.30 |
| 5.1 WOHNRAUMSCHAFFUNG | 1.30 | 1.50 | 0.10 | 0.10 | 0.10 |
| 5.2 SIEDLUNG | 0.40 | 0.20 | 0.10 | 0.00 | 0.10 |
| 5.3 EIGENTUMSBILDUNG | 7.20 | 7.60 | 8.80 | 10.70 | 13.20 |
| 5.4 MODERNISIERUNG | 0.10 | 0.20 | 0.10 | 0.70 | 1.40 |
| 5.5 SONSTIGES | 1.10 | 0.90 | 0.50 | 0.50 | 0.50 |
| 6 MASSNAHMEN IM ENERGIEBEREICH | 0.50 | 4.00 | 3.60 | 3.50 | 3.40 |
| 6.1 ALLG. ZUSCHÜSSE ZUR ERZEUGUNG, VERSORUNG, VERTEILUNG | 0.40 | 0.30 | 0.30 | 0.20 | 0.20 |
| 6.2 VERSORUNG MIT ROHSTOFFEN, EXPLORATION | 0.10 | 0.50 | 0.40 | 0.10 | 0.50 |
| 6.3 FERNAERIE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6.4 KERNENERGIE | 0.00 | 3.20 | 2.60 | 3.00 | 2.70 |
| 7 ALLGEMEINE REGIONALFÖRDERUNG | 4.00 | 2.00 | 0.00 | 0.00 | 1.10 |
| 8 SPEZIELLE REGIONALFÖRDERUNG | 15.20 | 13.20 | 11.30 | 10.70 | 13.50 |
| 8.1 BERLIN | 12.50 | 9.50 | 9.00 | 8.10 | 9.40 |
| 8.2 ZONEGRENZ | 2.70 | 3.70 | 2.30 | 2.60 | 4.10 |
| 9 ORDNUNGSPOLITIK | 9.40 | 7.10 | 7.40 | 4.40 | 2.90 |
| 9.1 INFORMATION, EXISTENZFÖRDERUNG | 1.50 | 0.70 | 1.70 | 3.20 | 0.10 |
| 9.2 ANTI-KONZENTRATION | 0.00 | 4.40 | 3.50 | 0.00 | 0.20 |
| 9.3 SICHERUNG DER INTERNAT. WETTBEWERBSFAHIGKEIT | 2.30 | 2.10 | 1.00 | 1.00 | 1.90 |
| 9.4 RISIKOBERNAHME | 0.70 | 0.70 | 0.50 | 0.60 | 0.70 |
| 10 SONSTIGES; ALLGEMEINE ZUSCHÜSSE | 2.40 | 1.30 | 0.50 | 1.70 | 0.50 |
| (1) INSGESAMT | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| (2) NACHRICHTLICH WILL. DM | 21120.70 | 29695.00 | 42937.90 | 44112.30 | 46132.70 |

Key:

| | | | |
|-----|---|-----|--|
| 0 | Transportation Infrastructure | 5 | Housing |
| 1 | Environmental control | 5.1 | Housing procurement |
| 2 | Research and development | 5.2 | Settlement |
| 2.1 | Promotion of new technologies | 5.3 | Property formation |
| 2.2 | Primary innovation | 5.4 | Modernization |
| 2.3 | Market introduction | 5.5 | Other |
| 2.4 | Humanization | 6 | Measures in the energy sector |
| 2.5 | Technical safety | 6.1 | General subsidies for production, supply, distribution |
| 2.6 | Information systems | 6.2 | Raw materials supply, exploration |
| 2.7 | Biotechnology | 6.3 | Long distance heat |
| 2.8 | Energy technologies | 6.4 | Nuclear energy |
| 2.9 | Research and development of small and medium-size firms | 7 | General regional promotion |
| 3 | Modernization, rationalization, restructuring | 8 | Special regional promotion |
| 4 | Largely preservation subsidies | 8.1 | Berlin |
| 4.1 | Direct price subsidies | 8.2 | Vicinity of the zone border |
| 4.2 | General supports | 9 | Regulatory policy |
| 4.3 | Marketing aid, stockpiling | 9.1 | Information, establishment of a livelihood |
| 4.4 | Marketing system | 9.2 | Antitrust |
| 4.5 | Production cutbacks, closure | 9.3 | Safeguarding international competitiveness |
| 4.6 | Sociopolitical subsidies for structural weak industries | 9.4 | Taking over risks |

[Key continued on following page]

10 Miscellaneous; general subsidies 12 Reported million DM
11 Total

1) Financial aid by the Federal Government, the Federal Institution for Labor, the EC and including the coal penny; tax concessions by the Federal Government, Laender and local authorities.

Sources: Federal budget plans; subsidy reports; Federal Office for Statistics, Special Series 18; DIW computations

these justifications obviously do not apply any longer; subsidies continue to be paid, although the reason for doing so has disappeared. It is therefore a hazardous undertaking to glean a target structure from the reasons for subsidies, especially those paid by the Federal Government. In addition the stated aims of the subsidy justifications are not always the real aims. On the whole, though, we assume the declared aims.

Due to the sectional emphases of the subsidies, a concentration is noticeable in the structure of the subsidy aims, too. Preservation subsidies predominate at a good third of the total. These subsidies flow mainly to farming, mining and shipbuilding. Their importance in fact continued to rise slightly in the period 1970-1980; subsequently a decline set in. The preservation and expansion of the traffic infrastructure (accounting for about 20 percent) has lost in importance. Spending on these purposes goes primarily to the Federal Railway. Also diminished in relative terms have subsidies for regional promotion, regulatory policy and the group modernization, rationalization and restructuring. On the other hand, the promotion of housing construction continues to grow. In 1982 subsidies for corporate research and enterprise as well as for the energy sector (mainly nuclear energy) accounted for a definitely greater proportion than in 1970; including environmental control, subsidies for these three targets accounted for just about 10 percent of all 1982 subsidies.

This noticeable shift in the aims pursued by subsidies has most benefited the branches of the processing trades, though the average subsidy was still relatively low in 1982. The increasing assistance for research and development was largely called upon by the research intensive branches of the processing trades, especially the chemical industry, machine construction and electrical engineering (see Table). Electricity supply (nuclear research) and coal mining were additional beneficiaries.

In 1982 the rising subsidies for environmental purposes were granted to a large extent to the chemical industry and road vehicle construction, in addition to machine construction, electrical engineering and the food trades which accounted for the largest share in 1970. The main item of environmental subsidies consists in increased allowances for fixed assets serving environmental protection (for example air cleaning installations).

The proportional loss of regional assistance has affected trade, construction and the traffic sector, while processing trades continued to be favored. Coal mining, the traffic sector and aircraft construction have been spared the absolute decline in regulatory subsidies (such as special write-offs to safeguard

international competitiveness, guarantees, measures for the benefit of small and medium-size firms, and so on).

In summation we may claim that an incipient restructuring is discernible, but that the large block subsidies still maintain their importance. Developments up to this point therefore imply a target oriented subsidy policy to a very limited extent only.

From the long-range aspect, subsidy targets should be oriented to the efficiency of allocations, of course affected by the aspects of guaranteed national supplies, the regional balance of the economic structure and the guarantee of the optimum infrastructure in terms of living and working conditions. In the long run this also serves the goal of full employment. In the short and medium term subsidies frequently serve to "socially cushion" adjustment processes in industries which are unable to reduce their capacities without mass dismissals. Arising here is the problem of the appropriate time limits for public adjustment aid granted for sociopolitical reasons.

A Catalogue of Subsidies To Be Abolished

In the past the principle of time limits on subsidies has most often been breached in the sector of preservation subsidies. This is probably one of the reasons why restructuring and the restriction of subsidies have been inadequate despite the repeated emphasis on good intentions. Even if we accept the need to subsidize farming and mining for reasons of guaranteed supplies and the Federal Railway as an essential part of the infrastructure, it is perfectly possible to compile a catalogue of subsidies to be abolished and yield considerable fiscal benefits; many measures do not serve warrantable objectives or contradict other important goals.

In the case of coal mining, we may discern the direction and, in part, the successes of the process of restructuring and adjustment; but even in this sector many individual measures are questionable. This applies to fundamental decisions, for example the inadequate involvement of the real property assets of the mining companies in the financing of restructuring measures, as well as to some of the latest single measures, such as the public authorities' assumption of the costs of "holiday shifts."

In the farming sector, the problems of enforcement of a rational economic policy are even knottier, because we are here confronted with a mixture of EC provisions and national subsidies. At the present time a limitation or even cuts in EC money appears inevitable. The multitude of agrarian measures for the same or similar goals suggests that here, in particular, multiple and unwarranted assistance has been given. This is particularly evident by the example of the market for milk and dairy products. In 1982 some DM5 billion EC money was spent on the total "milk" group. At national level several subsidies are available, which are integrated in the attached catalogue. This includes first of all a more realistic adjustment of valuations in the ascertainment of net profits in agriculture and forestry. Cuts should primarily affect subsidies for marketing systems and other interventions in output; the sociopolitical component of income guarantees for people employed in farming should be paid direct and, consequently, more cheaply; in other words without the detour via excess production and the subsequent costs for the storage and administration of the product

Subsidies¹⁾ by Selected Branches of the Economy and Targets (million DM)

| | (1) | | | (2) | | | (3) | | | (4) | | | (5) | | | (6) | | | (7) | | | (8) | | | (9) | | | | | | | | | | | | |
|--------------------------|-----------------------|--------|--------|-------|--------------|--------|-------|--------|----------------|--------|---------|---------|-----------------------------|----------|---------|-------|----------------|--------|---------|---------|---------------------|--------|---------|---------|---------------|--------|--------|--------|-----------------|---------|---------|----------|-----------|---------|----------|----------|--------|
| | VERKEHRSINFRASTRUKTUR | 1970 | 1980 | 1982 | UMWELTSCHUTZ | 1970 | 1980 | 1982 | FUE-FUERDERUNG | 1970 | 1980 | 1982 | ALLGEMEINER STRUKTURPOLITIK | 1970 | 1980 | 1982 | ENERGIEBEREICH | 1970 | 1980 | 1982 | REGIONAL-FUERDERUNG | 1970 | 1980 | 1982 | WONUNGSSEKTOR | 1970 | 1980 | 1982 | ORDNUNGSPOLITIK | 1970 | 1980 | 1982 | INSGESAMT | 1970 | 1980 | 1982 | |
| 10) LAND-UND FORSTWIRTS. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | |
| 11) ERNÄHRUNGSMITTEL | 11.20 | 24.00 | 35.50 | 11.20 | 24.00 | 35.50 | 11.20 | 24.00 | 35.50 | 29.40 | 59.10 | 72.00 | 296.50 | 2811.10 | 2488.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 225.50 | 391.80 | 387.50 | 174.40 | 209.70 | 101.40 | 9.50 | 42.90 | 5.50 | 4885.90 | 2565.90 | 2647.40 | 4885.90 | 2565.90 | 2647.40 | |
| 12) ERGASSEN-ERZEUGUNG | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.70 | 87.10 | 100.70 | 1953.40 | 4042.80 | 4359.60 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 527.20 | 705.80 | 675.20 | 117.80 | 612.50 | 44.70 | 117.80 | 612.50 | 44.70 | 2605.80 | 5498.70 | 5422.90 | 2605.80 | 5498.70 | 5422.90 | |
| 13) ZUSAMMEN | 11.20 | 24.00 | 35.50 | 11.20 | 24.00 | 35.50 | 11.20 | 24.00 | 35.50 | 30.10 | 158.80 | 183.00 | 6522.40 | 10135.10 | 9840.80 | 80.60 | 72.40 | 23.40 | 0.00 | 0.00 | 0.00 | 754.70 | 1102.10 | 1067.00 | 301.50 | 870.10 | 146.70 | 301.50 | 870.10 | 146.70 | 7833.80 | 12372.00 | 11164.50 | 7833.80 | 12372.00 | 11164.50 | |
| 14) ELEKTROENERGIE | 0.50 | 1.00 | 0.00 | 0.50 | 0.00 | 0.00 | 0.50 | 0.00 | 0.00 | 2.30 | 88.60 | 177.30 | 7.00 | 75.10 | 25.20 | 0.00 | 2.10 | 84.40 | 988.40 | 152.90 | 395.10 | 152.90 | 395.10 | 342.70 | 14.30 | 38.70 | 37.90 | 14.30 | 38.70 | 37.90 | 179.00 | 1791.40 | 1561.50 | 179.00 | 1791.40 | 1561.50 | |
| 15) GASVERBODERBEICH | 0.20 | 0.00 | 0.00 | 0.20 | 0.00 | 0.00 | 0.20 | 0.00 | 0.00 | 0.80 | 0.60 | 0.80 | 1.10 | 3.80 | 3.80 | 0.00 | 0.00 | 16.00 | 0.00 | 0.00 | 0.00 | 225.50 | 44.10 | 52.70 | 2.10 | 4.10 | 4.70 | 2.10 | 4.10 | 4.70 | 915.70 | 4741.40 | 4702.90 | 915.70 | 4741.40 | 4702.90 | |
| 16) KONTAKTBAU | 0.70 | 0.00 | 0.00 | 0.70 | 0.00 | 0.00 | 0.70 | 0.00 | 0.00 | 0.40 | 111.90 | 160.10 | 610.00 | 4217.30 | 3470.80 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 38.00 | 57.50 | 48.00 | 262.50 | 354.90 | 305.10 | 38.00 | 57.50 | 305.10 | 262.50 | 354.90 | 305.10 | 262.50 | 354.90 | 305.10 | |
| 17) GEM. VON ERDELEN | 0.10 | 0.00 | 0.00 | 0.10 | 0.00 | 0.00 | 0.10 | 0.00 | 0.00 | 0.30 | 0.20 | 0.30 | 0.40 | 1.40 | 1.40 | 0.00 | 0.00 | 41.60 | 54.00 | 8.00 | 15.70 | 8.00 | 15.70 | 18.40 | 0.80 | 1.50 | 0.80 | 1.50 | 0.80 | 1.50 | 91.40 | 581.80 | 75.50 | 91.40 | 581.80 | 75.50 | |
| 18) ZUSAMMEN | 1.50 | 0.00 | 0.00 | 1.50 | 0.00 | 0.00 | 1.50 | 0.00 | 0.00 | 7.80 | 201.30 | 338.50 | 618.50 | 4247.40 | 3701.20 | 0.00 | 92.10 | 921.60 | 1042.40 | 222.40 | 401.90 | 481.80 | 219.70 | 387.20 | 358.70 | 219.70 | 387.20 | 358.70 | 1221.60 | 6161.50 | 5902.30 | 1221.60 | 6161.50 | 5902.30 | | | |
| 19) CHEMISCHE INDUST. | 5.80 | 21.90 | 32.40 | 5.80 | 21.90 | 32.40 | 5.80 | 21.90 | 32.40 | 6.70 | 236.00 | 274.90 | 8.40 | 64.90 | 60.80 | 0.00 | 0.00 | 105.20 | 113.50 | 229.20 | 401.50 | 422.50 | 63.40 | 48.90 | 22.80 | 63.40 | 48.90 | 22.80 | 313.60 | 870.40 | 928.40 | 313.60 | 870.40 | 928.40 | | | |
| 20) MINERALBEREICH | 0.40 | 1.50 | 2.20 | 0.40 | 1.50 | 2.20 | 0.40 | 1.50 | 2.20 | 0.50 | 7.40 | 7.60 | 1.20 | 6.00 | 5.80 | 0.00 | 0.00 | 76.40 | 150.00 | 21.40 | 39.00 | 47.10 | 5.60 | 5.50 | 3.90 | 5.60 | 5.50 | 3.90 | 5.60 | 5.50 | 3.90 | 109.90 | 204.40 | 206.80 | 109.90 | 204.40 | 206.80 |
| 21) STEINE UND ERDEN | 3.80 | 8.50 | 12.60 | 3.80 | 8.50 | 12.60 | 3.80 | 8.50 | 12.60 | 9.70 | 31.10 | 39.70 | 3.60 | 76.10 | 24.40 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 63.50 | 96.70 | 102.40 | 29.00 | 45.20 | 7.90 | 29.00 | 45.20 | 7.90 | 109.90 | 210.90 | 189.70 | 109.90 | 210.90 | 189.70 | |
| 22) EISENBEREICH | 3.20 | 11.90 | 17.50 | 3.20 | 11.90 | 17.50 | 3.20 | 11.90 | 17.50 | 3.60 | 64.70 | 81.20 | 8.90 | 14.60 | 31.30 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 81.20 | 140.70 | 234.20 | 30.80 | 10.50 | 9.10 | 30.80 | 10.50 | 9.10 | 128.00 | 282.50 | 373.40 | 128.00 | 282.50 | 373.40 | |
| 23) STAHL-LECHMETALL | 2.50 | 7.90 | 11.70 | 2.50 | 7.90 | 11.70 | 2.50 | 7.90 | 11.70 | 4.80 | 204.90 | 193.70 | 2.00 | 18.60 | 17.20 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 54.60 | 61.60 | 52.60 | 23.50 | 31.80 | 3.10 | 23.50 | 31.80 | 3.10 | 87.70 | 328.00 | 280.80 | 87.70 | 328.00 | 280.80 | |
| 24) MASCHINENBAU | 14.50 | 39.40 | 58.40 | 14.50 | 39.40 | 58.40 | 14.50 | 39.40 | 58.40 | 30.40 | 238.60 | 253.70 | 9.90 | 96.80 | 89.40 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 504.50 | 188.40 | 312.20 | 110.10 | 108.90 | 16.00 | 110.10 | 108.90 | 16.00 | 368.00 | 1398.10 | 928.50 | 368.00 | 1398.10 | 928.50 | |
| 25) RUEDENSCHE, ABW. | 0.80 | 2.40 | 3.60 | 0.80 | 2.40 | 3.60 | 0.80 | 2.40 | 3.60 | 29.80 | 96.90 | 61.90 | 0.40 | 6.00 | 5.40 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 26) STRASSENBAU | 3.00 | 21.00 | 31.00 | 3.00 | 21.00 | 31.00 | 3.00 | 21.00 | 31.00 | 3.80 | 75.40 | 75.70 | 5.70 | 54.70 | 50.70 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 27) SCHIFFBAU-INDUST. | 0.60 | 2.40 | 3.60 | 0.60 | 2.40 | 3.60 | 0.60 | 2.40 | 3.60 | 0.60 | 2.40 | 3.60 | 0.60 | 2.40 | 3.60 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 28) RAUM-LECHMETALL | 0.40 | 1.20 | 1.80 | 0.40 | 1.20 | 1.80 | 0.40 | 1.20 | 1.80 | 0.50 | 60.30 | 71.20 | 0.30 | 3.00 | 2.70 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 29) ELEKTROTECHNIK | 10.70 | 38.00 | 56.20 | 10.70 | 38.00 | 56.20 | 10.70 | 38.00 | 56.20 | 12.50 | 478.40 | 332.00 | 8.40 | 91.10 | 82.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 421.40 | 776.00 | 744.50 | 97.60 | 61.60 | 15.20 | 97.60 | 61.60 | 15.20 | 550.70 | 1397.80 | 1235.50 | 550.70 | 1397.80 | 1235.50 | |
| 30) HOLZBEREICH | 6.00 | 12.50 | 18.40 | 6.00 | 12.50 | 18.40 | 6.00 | 12.50 | 18.40 | 16.30 | 32.70 | 39.70 | 3.40 | 30.80 | 28.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 40.60 | 55.60 | 54.00 | 39.70 | 63.80 | 4.10 | 39.70 | 63.80 | 4.10 | 107.20 | 199.40 | 149.70 | 107.20 | 199.40 | 149.70 | |
| 31) TEXTILBEREICH | 2.90 | 13.10 | 19.30 | 2.90 | 13.10 | 19.30 | 2.90 | 13.10 | 19.30 | 2.30 | 17.10 | 20.00 | 4.00 | 34.20 | 31.70 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 70.30 | 53.60 | 54.00 | 39.70 | 63.80 | 4.10 | 39.70 | 63.80 | 4.10 | 118.90 | 227.70 | 213.00 | 118.90 | 227.70 | 213.00 | |
| 32) BEKLEIDUNGSBEREICH | 2.90 | 13.10 | 19.30 | 2.90 | 13.10 | 19.30 | 2.90 | 13.10 | 19.30 | 2.30 | 17.10 | 20.00 | 4.00 | 34.20 | 31.70 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 70.30 | 53.60 | 54.00 | 39.70 | 63.80 | 4.10 | 39.70 | 63.80 | 4.10 | 118.90 | 227.70 | 213.00 | 118.90 | 227.70 | 213.00 | |
| 33) BETRIEBSMITTEL | 4.40 | 5.20 | 7.60 | 4.40 | 5.20 | 7.60 | 4.40 | 5.20 | 7.60 | 14.60 | 18.90 | 24.00 | 3.10 | 238.70 | 238.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 75.70 | 128.90 | 138.10 | 19.40 | 50.50 | 3.70 | 19.40 | 50.50 | 3.70 | 105.60 | 244.20 | 418.50 | 105.60 | 244.20 | 418.50 | |
| 34) TABAKBEREICH | 0.50 | 0.90 | 1.30 | 0.50 | 0.90 | 1.30 | 0.50 | 0.90 | 1.30 | 1.30 | 1.80 | 2.30 | 1.10 | 59.20 | 57.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 96.90 | 208.20 | 211.40 | 4.10 | 5.30 | 3.70 | 4.10 | 5.30 | 3.70 | 105.60 | 275.50 | 276.00 | 105.60 | 275.50 | 276.00 | |
| 35) ZUSAMMEN | 63.90 | 200.20 | 295.60 | 63.90 | 200.20 | 295.60 | 63.90 | 200.20 | 295.60 | 140.90 | 1533.20 | 1508.40 | 141.50 | 1072.30 | 1010.50 | 0.00 | 16.20 | 746.20 | 524.90 | 1584.60 | 208.20 | 211.40 | 4.10 | 5.30 | 3.70 | 105.60 | 275.50 | 276.00 | 105.60 | 275.50 | 276.00 | 105.60 | 275.50 | 276.00 | 105.60 | 275.50 | 276.00 |
| 36) HOCHBAU | 9.70 | 0.00 | 0.00 | 9.70 | 0.00 | 0.00 | 9.70 | 0.00 | 0.00 | 44.10 | 84.00 | 95.90 | 74.40 | 208.40 | 213.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 94.70 | 118.80 | 111.50 | 7.20 | 31.10 | 8.50 | 7.20 | 31.10 | 8.50 | 185.10 | 461.60 | 494.40 | 185.10 | 461.60 | 494.40 | |
| 37) TIEFFAHR | 5.60 | 0.00 | 0.00 | 5.60 | 0.00 | 0.00</ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Key:

- | | |
|---------------------------------------|--|
| 1. Transportation infrastructure | 22. Steel, light metals |
| 2. Environmental control | 23. Machine construction |
| 3. Research and development aid | 24. Office machines, data processing |
| 4. General structural policy | 25. Road vehicles |
| 5. Housing | 26. Shipbuilding |
| 6. Energy sector | 27. Spacecraft and aircraft construction |
| 7. Regional assistance | 28. Electrical engineering |
| 8. Regulatory policy | 29. Lumber processing |
| 9. Total | 30. Textile trades |
| 10. Agriculture and forestry | 31. Clothing trades |
| 11. Food trades | 32. Beverage production |
| 12. Wholesale and retail trade | 33. Tobacco processing |
| 13. Sum total | 34. Building construction |
| 14. Electricity supply | 35. Civil engineering |
| 15. Gas supply | 36. Finishing trade (building) |
| 16. Coal mining | 37. Railroads |
| 17. Crude oil production | 38. Shipping |
| 18. Chemical industry | 39. Road transportation |
| 19. Oil processing | 40. Miscellaneous transportation |
| 20. Rocks and earths | 41. Banks |
| 21. Iron and steel producing industry | 42. Rental housing |
| | 43. Other services |

1) Financial aid by the Federal Government, the Federal Institute for Labor, the EC and including the coal penny; tax concessions by the Federal Government, Laender and local authorities.

Sources: Subsidy reports; budget plans; DIW computations.

Also to be included in the catalogue of unnecessary subsidies are tax exemptions for motor fuel in the traffic sector (aviation, shipping, public commuter traffic). From energy aspects these measures must now be appraised differently from former times. Furthermore it would be advisable to abolish tax concessions for corporate capital investments abroad (DM270 million). This has always been a questionable procedure.

There is also scope for cuts in the sector of housing construction subsidies. To be mentioned as an example is the increased depreciation of old buildings (Article 7b). The chief purpose, to benefit the buyer, is not really achieved because the sellers are now able to get higher prices. Tax concessions for the owner occupied part of two or more family homes should also be abolished. From the aspect of equitable taxation there is no reason why owners of an owner-occupied apartment in their own multifamily building should be better off than owners of an owner-occupied one-family home or apartment.

The Outlook for Subsidies

The debate on subsidies is being conducted almost exclusively to the accompaniment of the pressure for consolidation. It increasingly disregards

Proposals for Abolishing Subsidies--1982 Potential Savings

| (1) | (2) | (3) | (4) |
|------|--|----------|---|
| Ziel | Maßnahmen | Mill. DM | Begründung |
| (5) | <u>Modernisierung, Umstrukturierung (Ziel 3)¹⁾</u> | | |
| (6) | Neubauhilfen für Handelsschiffe | 180 | Versteckte und unkoordinierte Erhaltungssubventionen für die Wertfindustrie (37) |
| (7) | <u>Direkte Preissubventionierung (Ziel 4.1)</u> | | |
| (8) | Steuerfreie Rücklagen für Preissteigerungen | 100 * | Nicht marktkonform (38) |
| (9) | Bewertungsabschlag für Importwaren | 200 * | Subventionsgrund längst entfallen (39) |
| (10) | Zuschüsse an die Monopolverwaltung für Branntwein | 220 | Verzerrung der internationalen Arbeitsteilung (40) |
| (11) | <u>Allgemeine Stützungsmaßnahmen (Ziel 4.2)</u> | | |
| (12) | Ermittlung des Reingewinns nach Durchschnittssteuersätzen in der Land- und Forstwirtschaft | 600 | Verstoß gegen die steuerliche Gleichbehandlung (41) |
| (13) | Befreiung der Zugmaschinen oder Sonderfahrzeuge u. a. v. der Kfz-Steuer | 160 | Subventionsziel größtenteils entfallen (42) |
| (14) | Steuerbefreiung von Schwerölen als Betriebsstoff bei Schiffen | 475 | Verstoß gegen die steuerliche Gleichbehandlung; Behinderung von Einspar- und Anpassungsprozessen bei veränderten Energiebedingungen (41) (43) |
| (15) | Ermäßigung der ESt u. KSt aus dem Betrieb von Handelsschiffen | 120 * | Behindert den wirtschaftlichen Anpassungsprozeß (44) |
| (16) | Verbilligung von Gasöl für schienengebundene Fahrzeuge | 185 | Behinderung von Einspar- und Anpassungsprozessen bei veränderten Energiebedingungen (43) |
| (17) | Verbilligung von Gasöl im ÖPNV | 205 | Behinderung von Einspar- und Anpassungsprozessen bei veränderten Energiebedingungen (43) |
| (18) | Verbilligung von Gasöl in der Landwirtschaft | 460 x | Behinderung von Einspar- und Anpassungsprozessen bei veränderten Energiebedingungen (43) |
| (19) | <u>Absatzförderung, Bevorratung (Ziel 4.3)</u> | | |
| (20) | Steuerbefreiung land- und forstwirtschaftl. Erwerbs- und Wirtschaftsgenossenschaften | 47 | Undurchschaubare Mehrfachförderung (45) |
| (21) | <u>Sozialpolitische Zuschüsse (Ziel 4.7)</u> | | |
| (22) | Zuschüsse zur landwirtschaftlichen Unfallversicherung | 340 * | Ungleichbehandlung bei den Sozialabgaben (46) |
| (23) | <u>Wohnraumbeschaffung (Ziel 5.1)</u> | | |
| (24) | Schaffung von Wohnraum für Bundesbedienstete | 52 | Ungerechtfertigte Privilegien (47) |
| (25) | <u>Eigentumsbildung (Ziel 5.3)</u> | | |
| (26) | Erhöhte Absetzung (§7b EStG) bei Altbauten | 1 000 | Negative wohnungspolitische Wirkungen überwiegen (48) |
| (27) | Steuervergünstigung für eigengenutzten Wohnraum in Zwei u. Mehrfamilienhäusern | 1 000 + | Verstoß gegen die steuerliche Gleichbehandlung (41) |
| (28) | <u>Sonstiges Wohnungswesen (Ziel 5.5)</u> | | |
| (29) | Steuerbefreiung der gemeinnützigen Wohnungs- und Siedlungsunternehmen | 220 * | Überprüfung der Privilegien im Hinblick auf wohnungspolitische Verpflichtungen; Abbau im Bauträgergeschäft (49) |
| (30) | <u>Sicherung der internationalen Wettbewerbsfähigkeit (Ziel 9.3)</u> | | |
| (31) | Steuerbefreiung für Luftfahrtbetriebsstoffe | 300 | Verstoß gegen die steuerliche Gleichbehandlung; Behinderung von Einspar- und Anpassungsprozessen bei veränderten Energiebedingungen (41) (43) |
| (32) | <u>Risikoübernahme (Ziel 9.4)</u> | | |
| (33) | Steuerliche Erleichterung von Unternehmensinvestitionen im Ausland | 270 | Vermutlich hohe Mitnahmeeffekte (50) |
| (34) | <u>Sonstiges (Ziel 10)</u> | | |
| (35) | Steuerbefreiung der bei der Mineralölherstellung verwendeten Mineralöle | 70 | Verstoß gegen die steuerliche Gleichbehandlung (41) |
| (36) | Summe | 6 204 | |

[key on following page]

Key:

1. Objective
 2. Measures
 3. Million DM
 4. Justification
 5. Modernization, restructuring (Objective 3)¹⁾
 6. Aid for the construction of new merchant ships
 7. Direct price subsidies (Objective 4.1)
 8. Tax free reserves for price increases
 9. Valuation discount for imported goods
 10. Grants to the Monopoly Administration for Alcohol
 11. General support measures (Objective 4.2)
 12. Ascertainment of net profits by average tax rates in agriculture and forestry
 13. Exemption of tractors or special behivles and so on from the motor vehicle tax
 14. Exemption from tax of heavy oils used as ships' fuel
 15. Tax allowance with respect to income and corporation tax for the operation of merchant ships
 16. Price reduction of diesel fuel for rail vehicles
 17. Price reduction of diesel fuel for public commuter traffic
 18. Price reduction of diesel fuel for agriculture
 19. Market supports, stockpiling (Objective 4.3)
 20. Tax exemption for agricultural and forestry trading and operating cooperatives
 21. Sociopolitical subsidies (Objective 4.7)
 22. Subsidies for agricultural accident insurance
 23. Housing procurement (Objective 5.1)
 24. Procurement of housing for federal employees
 25. Property formation (Objective 5.3)
 26. Increased depreciation (Article 7b Income Tax Law) for old buildings
 27. Tax concessions for owner-occupied housing space in two or multifamily homes
 28. Other housing affairs (Objective 5.5)
 29. Tax exemption for nonprofit housing and settlement enterprises
 30. Safeguarding international competitiveness (Objective 9.3)
 31. Tax exemption for aviation fuel
 32. Assumption of risks (Objective 9.4)
 33. Tax relief for corporate capital investments abroad
 34. Miscellaneous (Objective 10)
 35. Tax exemption for the oil used for mineral oil production
 36. Sum total
 37. Hidden and uncoordinated preservation subsidies for the shipbuilding industry
 38. Not conforming to market principles
 39. Reason for the subsidy long since disappeared
 40. Distortion of the international division of labor
 41. Infringement of equitable tax treatment
 42. Objective of the subsidy has largely disappeared
 43. Obstruction of conservation and adjustment processes in changed energy conditions
- [key continued on following page]

44. Obstructs the process of economic adjustment
45. Obscure multiple subsidies
46. Unequal treatment with respect to social contributions
47. Unjustified privileges
48. Negative housing effects predominate
49. Review of privileges in view of housing obligations; reduction in the building business
50. Presumably large secondary effects

1) On the catalogue of objectives see the earlier Tables.

* As per the Ninth Subsidy Report, September 1983.

x Paid by the Laender

+ Not included in the subsidy report

that it may be necessary not only to reduce subsidies but to use the savings for objectives oriented to definite shifts. This may also mean that increases in subsidies could be needed for some part sectors and the subsidy budget rise overall. If, for example, an appropriate expansion is possible in specific portions of the state infrastructure even though fixed state investments are declining, the money thus saved is available to subsidize private investments in some sectors--for instance to reduce pollution and conserve energy, and even in infrastructural sectors with high external earnings (for instance public transportation).

At the present time the international subsidy race in some branches of the economy gives rise to serious problems. It should be the supreme principle to arrive at international agreements that prevent such excesses. If this should fail to happen, it will be well-nigh impossible to avoid "keeping up."

The question is disputed whether, in the matter of subsidies, financial supports or tax concessions are preferable, in other words whether subsidies are to be direct or indirect. The following arguments may be used for the grant of financial assistance and, therefore, against tax concessions:

- Greater transparency;
- Better opportunities for purposeful backing;
- Better opportunities for annual reviews in the course of the budget debate;
- Easier assessment of the burden on public budgets;
- No additional complication of the highly complicated tax laws.

Admittedly, the benefits of direct subsidies take effect only if the objectives are plain, grants coupled with stricter obligations, the measures run for a limited time only, and other aspects are taken into account, such as the size and location of the firm. No doubt there are instances, when indirect aid is demonstrably superior. In that case, it ought to be chosen.

Regardless of the type of the tools used, subsidies should increasingly concentrate on long-range objectives. In present-day circumstances these include primarily:

- The increased encouragement of innovation and qualification, including technology transfer;
- The encouragement of the establishment of livelihoods;
- The encouragement of energy conservation, more environment-friendly energy production and the continuing replacement of oil;
- The resolute and more rapid tackling of the most threatening environmental damage to the air, ground water, rivers, lakes and oceans; this implies environmental taxes and more severe obligations as well as improved checks;
- The preservation of threatened urban settlement structures;
- The encouragement of alternative and more attractive public transportation systems.

To this end it should be possible to find a social consensus and thereby create the prerequisites for coordinated and more effective subsidies.

11698

CSO: 3620/325

HEAD OF NORTH KOREAN FOREIGN TRADE BANK PLEDGES DEBT PAYMENT

Helsinki HUFVUDSTADSBLADET in Swedish 11 May 84 p 14

[Article: "North Korea Paying According to Schedule"]

[Text] The Democratic People's Republic of Korea will pay its debt for the Finnish paper machines that were delivered 10 years ago according to the agreed timetable.

This promise was made by the director of North Korea's Foreign Trade Bank, Bang Ki Yong at a press conference in Helsinki yesterday. Bang Ki Yong is leading a North Korean economic delegation now visiting our country.

Bang Ki Yong stated that the money owed for the paper machines had long been an obstacle to the development of economic relations between Finland and North Korea. North Korea has now paid about 60.4 million marks of the total debt of about 150 million marks plus interest.

"By next fall we will have paid half the debt, after which we still will have 3 years to pay the rest," Bang Ki Yong said.

In 1974 Finland delivered machinery for a paper, cellulose, and cardboard plant in North Korea, which had difficulty paying. In 1978 the payments were rescheduled and in 1981 North Korea delayed payment once again.

"Our economic resources are now sufficient and both sides are satisfied," Bang Ki Yong said.

Machinery Mistreated?

Finnish delegations that visited North Korea during the mid-seventies reported that the machines that had been delivered had been mistreated and that extensive damage had been sustained, probably because of improper storage. Bang Ki Yong assured those present, however, that the paper plant was operating at present.

Bang Ki Yong stated that there was now a good groundwork for the development of economic cooperation between North Korea and Finland.

Want To Purchase Cellulose

"We have extensive natural resources and Finland has advanced technology. Among other things, we are interested in cooperating with the Finnish wood processing industry. Because of the great distances involved, it may be necessary to develop trade through a third party. One possible third party would be the Soviet Union," said director Bang Ki Yong.

Bang Ki Yong mentioned no concrete projects, but he said that North Korea was interested in purchasing cellulose from Finland. Bang Ki Yong mentioned lumber, metals, and iron as goods North Korea has to offer.

Bang Ki Yong stated that political relations between Finland and North Korea had functioned better than economic relations.

The North Korean government supports the idea of a nuclear-free zone in Finland, Bang Ki Yong pointed out.

In addition to the economic delegation, a parliamentary delegation from North Korea also visited Finland recently. The parliamentary delegation invited speaker of parliament Erkki Pystynen to visit North Korea.

Finland recognized North Korea in 1973.

9336

CSO: 3650/206

FOREIGN CONTROL, DOMESTIC INITIATIVE IN COMPUTER MARKET

Spanish Computer Market Survey

Madrid ABC in Spanish 28 May 84 pp 36-37

[Text] The status of data processing systems in Spain has undergone a transformation since the approval of the National Electronics and Data Processing Plan (PEIN). At the present time, 90 percent of the Spanish data processing systems market is controlled by the multinationals, and one company alone, IBM, dominates 60 percent of this constantly growing market.

Most of the multinationals are of United States (63 percent), European (23 percent) and Japanese (5 percent) origin; and the rest are Spanish. Despite the fact that the IBM plant in Valencia, the Nixdorf plant in Toledo and the SECOINSA [Spanish Communications and Data Processing Company, Inc] plant in Malaga produce for both the domestic and foreign markets, the rest of the data processing systems consumed in use in Spain are imported; which is translated into a deficit in the trade balance of nearly 85 billion pesetas.

The value of the Spanish data processing systems supply, counting large computers, minicomputers, small management systems and desk-top computers, stands at close to 325 billion pesetas. A study by Iberian International Data Corporation estimates that, by the end of 1987, this supply will be worth as much as 800 billion pesetas, with an annual increment of 19 percent; for although the degree of penetration by data processing systems is low in comparison with their potential, the Spanish market is mature, developed and far from saturation, with an enormous potential for generating new jobs.

Madrid and Barcelona are the provinces with the largest number of GPC [General Purpose Computer] systems, minicomputer systems and small management systems, with 60.3 percent, 61.0 percent and 58.1 percent, respectively; followed by Vascongadas and Navarra, with 13.7, 12.9 and 18 percent.

Galicia and Andalucia have 13.9 percent of the GPC, 10.9 percent of the minicomputer systems and 11 percent of the small management systems; whereas the other provinces share the rest.

Repercussions From the PEIN

The reasons for the low degree of penetration by data processing systems into Spanish activity are the lack of computerization in the public sector and the poor planning of purchases. Some very ambitious goals have been proposed by the PEIN, in the subplan for data processing systems, in an attempt to reduce these causes. When the PEIN was devised, there was a data processing systems consumption in Spain amounting to 134 billion pesetas, including equipment, software and services; and it is planned for this consumption to total 290 billion pesetas by the end of 1987, with an annual increment of 16 percent. To attain this figure, the data processing systems subplan calls for a series of activities in the public sector and in private enterprise.

In the public sector, a group of agreements will be reached, aimed at computerizing the justice and health entities, and at introducing data processing systems into schools; while the private sector will be encouraged by indirect measures, such as possible tax exemptions for investments in data processing systems or write-offs for all investments in software and services.

Lack of Spanish Technology

With the implementation of the PEIN, the administration wants to increase the domestic production, which is currently only 10 percent of the domestic consumption; with many units made for export, the profits from which do not redound directly on Spain. The PEIN has set as a goal for 1987 the manufacture of 218 billion pesetas' worth, with 118 billion allocated for export, and the rest set aside for domestic consumption; which will cause the imports to be reduced to half of the current figure.

The attached table establishes the ranking of data processing systems companies with the largest billing in Spain; and, as may be noted, most of the billing relates to foreign multinationals, except for SECOINSA, which is a company belonging to the INI [National Institute of Industry], created in 1975, in which CTNE [National Telephone Company of Spain], Piher and the Japanese firm Fujitsu also participate. The major problem of the Spanish data processing systems companies is the lack of products with Spain's own technology; because, as in any other branch of industry, the amounts of money allocated for research are very small compared with those used by the other foreign companies.

Future of Software

Most of the experts in the data process systems field think that, while Spain cannot compete with the hardware manufacturers, it has a great area for future development of software which, within a few years, will produce more profits than the current hardware production is generating. At present, software development is the data processing systems battlefield; because its progress has been slower than that of the rest of the data processing technology, and this is causing the value added-investment ratio to be the highest in the data processing systems sector.

In addition to maximizing software production, the General Directorate of Electronics and Data Processing Systems has started a series of measures aimed at preventing indiscriminate importing of software, whereby it is required that the maximum number of imported software programs be produced by Spanish companies.

As a supplementary measure, based on protectionism, in the PEIN the Interministerial Commission on Data Processing Systems has been reconverted, calling it the Superior Council on Data Processing Systems and bringing into it a very sizable industrial aspect, namely, the purchasing policy, whereby a compulsory industrial report is stipulated prior to any purchase, and in which the purchasing agencies will take the economic, budgetary and industrial aspects into account.

With the industrial report, which replaces the protection mechanism, and whereby public purchases give priority to native products, an attempt is being made not to give any particular product an advantage, but rather to give it to the company, on the basis of its production level in Spain. For this purpose, priority will be given to the productive effort that the firm is expending in Spain, apart from the product that it manufactures.

Purchase Policy

According to the directives emanating from the PEIN and the General Directorate of Electronics and Data Processing Systems, the future of the Spanish data processing systems will be aimed in four directions: on the one hand, the field of office systems, with the computerization of offices and the use of text processors, etc.; and a second area is data processing systems applied to education, using personal computers or software programs.

The third direction is the application of data processing systems to industrial processes, whether by computer assisted design or flexible production systems including robotics. And, as a final direction, there is the manufacture of software programs to be applied to the other directions or to certain production methods.

However, the data processing systems industry in Spain ranks eighth in Europe, and has annual growth rates exceeding the European average.

Information Management Specialist on Prospects

Madrid ABC in Spanish 28 May 84 p 39

[Excerpt] "If there is a foreign or multinational company which comes to Spain, sets up a research laboratory with Spanish researchers and develops the technology here, to me this is Spanish technology, and we shall back it." That statement was made to this newspaper by the general director of electronics and data processing systems, Joan Majo Cruzate, from the Ministry of Industry.

Mr Majo, from Barcelona, 39 years of age, married and with six children, is an industrial engineer with lengthy business experience in the electronics and data processing field, who wants to offer the entire Spanish society, in his position, the kinds of technology and equipment the lack of which, he claims, is a complete bottleneck hampering the modernization of the country's economy as a whole.

He was asked: "In addition to holding the position of general director of electronics and data processing systems, you are chairman of the Superior Council on Data Processing Systems. On paper, you can certainly resolve any issue associated with this sector. Do you really have the 'power'?"

He replied: "There is no doubt that I can resolve some things. It is also true that, in the case of the Ministry of Industry, in an economy that is essentially liberalized, administrative authority is what it is; and when we claim the power to decide, it is obvious that we do not have a planned economy in which one is told that this is to be done and that is not to be done.

"In the case of the electronics sector, the fact that it was previously included among the non-liberalized sectors means that even today, any new activity receives administrative authorization. Hence, not only can I foster new activities, but I can also prevent others from being carried out. And we are really doing this: We have a selective policy regarding the promotion of investments and the denial of authorization for other investments.

He was asked: "At the present time, apart from the Electronics and Data Processing Systems Plan, other major projects are being discussed, such as the Law on Communications or the Atenea. Does the necessary coordination exist to preclude contradictions with regard to the general industrial policy?"

He answered: "Each one of those projects has a different administrative origin. As for the more legislative aspects, as in the case of the Law on Communications, our intervention is indirect with regard to the industrial consequences that those decisions may have. From this standpoint, we have been preparing the proper reports for the passage or non-passage of that law. In other instances, for example that involving education, our intervention has been far more direct; because the Atenea project has been prepared by the Ministry of Education, but with a commission, with the participation of this General Directorate; which ensures greater coordination.

"Thus far, I have been quite pleased with the level of coordination that exists; it seems to be quite different from that of other times, based on what all of us in the responsible ministries know, have heard and, in some cases, have experienced."

The Agreements with IBM, Nixdorf and Olivetti Virtually Signed

"At what stage of activity is the Electronics and Data Processing Systems Plan?"

He said: "As everyone knows, the PEIN is currently in the Congress. I have already noted on other occasions that this procedure is politically important but that the PEIN went into effect from the time it was approved by the Council of Ministers; because the vast majority of measures called for are not legislative. This means that there will be no amendments in the Congress. What could happen is that the government might be requested to add something or to suggest some change in a certain policy."

"Is there any type of agreement now with the companies that have gone to the Ministry of Industry to negotiate their future within the context of the PEIN?"

He replied: "We are calling for the following projects, based on the PEIN: a very sizable expansion in IBM's activity in Spain; in other words, the expansion of the Valencia plant, which will produce new investments, new exports and a series of important things: a new factory for Nixdorf, that will change the previous one and expand its activity enormously. And we are also calling for a new plant for Olivetti, to manufacture personal computers. We are studying a plant that Hewlett Packard will build, another very large expansion in the activities associated with SECOINSA-Fujitsu, and also a project shared between Telesincro and Bull.

"There is no doubt whatsoever that Spain will become a major producer. Whether this will be with its own technology or only partly its own is something else. What we want to do is maximize everything that can have, let's say, a technology developed in Spain."

"But has anything been signed?"

He remarked: "The IBM expansion is a fact; the matter of the new Nixdorf plant has also been authorized; that of Olivetti has not been signed, but we have reached agreement on the personal level. The others are in the planning phase."

Justification of the Senators Purchase

"Is the native industry being protected more now?"

He answered: "We are exchanging the notion of the National Product Certificate for that of the company qualification, based on the industrial effort that it is expending in the country. In other words, I think that if General Motors manufactures the Corsa in Spain, it has a certain entitlement to being given preference by the public administration when it is time to purchase luxury cars, and to having the Senator purchased, but not the Corsa, because we do not need it. In my opinion, if there is a foreign or multinational company which comes to Spain, sets up a research laboratory with Spanish researchers and develops the technology here, this is Spanish technology."

"Don't you think that the consumption of data processing systems is being instigated too much, when it is obvious that the educational level in this field leaves a great deal to be desired? And we could mention the Atenea project as an example."

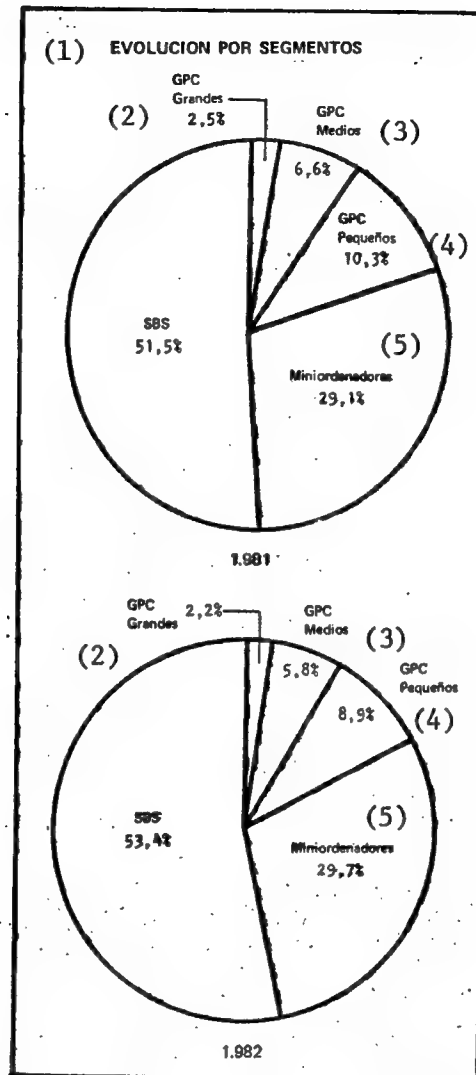
He said: "The specific instance that you cite is one of those wherein I believe the instigation should be more cautious. It doesn't make sense to introduce microcomputers until the atmosphere in the schools and among the instructors, and, in particular, the overall atmosphere in the society itself, is ready. We must pursue a gradual process that is not imbalanced."

| 1 «Ranking» de empresas | | |
|-------------------------|-----------------|---------------------------------|
| 2 | 3 | 4 |
| Puesto | Nombre | Facturación (Mill. de ptas.) |
| 1 | IBM | 79.000 |
| 2 | Olivetti | 18.920 |
| 3 | NCR | 10.740 |
| 4 | Nixdorf | 9.539 |
| 5 | Gispert | 7.900 |
| 6 | Secoinsa | 7.500 |
| 7 | Sperry (1) | 7.028 |
| 8 | Bull | 6.300 |
| 9 | Hewlett Packard | 5.881 |
| 10 | Digital | 3.080 |
| 11 | BASF (2) | 2.631 |
| 12 | Siemens (3) | 2.429 |
| 13 | Ericsson | 2.074 |
| 14 | ICL | 1.320 |
| 15 | WANG | 1.300 |

- 5 1. Datos año fiscal 31/3/84.
6 2. Dato correspondiente a la parte de informática.
Volumen total de negocio: 26.310 millones de pesetas.
7 3. Idem. Volumen de negocio: 24.290 millones de pesetas.

Key to Table:

1. Ranking of Companies
2. Position
3. Name
4. Billing (millions of pesetas)
5. 1. Data, fiscal year 31/3/84
6. 2. Data pertaining to the data processing systems portion. Total business volume: 23.31 billion pesetas
7. 3. Idem. Business volume: 24.29 billion pesetas



Key to Graph:

1. Progress According to Segments
2. Large GPC
3. Medium GPC
4. Small GPC
5. Minicomputers

2909

CSO: 3548/262

PALME GOVERNMENT EFFORTS FOR 'FULL EMPLOYMENT' DESCRIBED

Frankfurt FRANKFURTER RUNDSCHAU in German 5 May 84 p 5

[Article by Hannes Gamillscheg]

[Text] In Sweden the clocks really do go differently. Everywhere in the Western world -- even in socialistically governed France -- attempts have been given up to ban the ghost of mass unemployment by an active employment policy. The Scandinavian welfare state, on the other hand, operates such a closely connected network of work, education, and subsidy programs that the unemployment rate has been pushed down by far more than half. And more: While the "third industrial revolution," which has come into being mainly in the Anglo-Saxon countries, is essentially turned over to free enterprise, the Social Democratic cabinet in Stockholm is conducting an active national structure policy. To purchase economic growth, lower inflation, and lower deficits with an army of unemployed would even seem to be sacrilege in the eyes of the nonsocialist opposition. How this employment policy looks and what results it is producing, how the Swedish unemployed are doing, and what the government is doing for them -- these aspects are discussed in the following report. With this, the FRANKFURTER RUNDSCHAU continues the series in the framework of which previous reports on the unemployed in the U.S. (25 February), in France (24 March), and in Great Britain (31 March) appeared.

"Full employment is the most important goal of economic policy," Sweden's finance minister, Kjell-Olof Feldt, wrote into his budget proposal for the coming financial year. "We are giving employment priority because we are convinced that work is the basis for all prosperity, and the will of the people to work is the most important wealth of the country." In fact, Sweden can present figures that at first glance present a very rosy employment situation -- and this in spite of the fact that in Sweden, too, with 2.5 percent, no thrilling economic growth rate is in sight.

The unemployment rate of the 8.3 million nation for March is 3.1 percent, which is brilliant on the international level. It is just a little bit higher than the figure for full employment and a booming economy. Nevertheless,

Labor Market Minister Anna-Greta Leijon, calls the situation "still serious" and calls for comprehensive measures. In the cabinet she has found agreement: Directly after the latest statistics were made known, the government put a further three billion kronor -- a billion marks -- for "employment promoting initiatives." Correctly so: The 134,000 unemployed in a working force of 4.33 million people make up only half the story.

Public unemployment, which in the fall of 1983 was at its height with just about 180,000 people without work (4.1 percent) has to be sure declined since then: but more and more job seekers are being funneled into short-time work-producing programs without perspective. In the meantime, the "hidden" unemployment exceeds the public one. If one puts the two figures together, one gets more than 300,000 people who cannot find a place on the normal labor market. Then the unemployment rate is not longer at the rosy three, but at the quite serious seven to eight percent.

The fact that this problem cannot be solved with efforts at government aid but only with new jobs in "expanding companies on a sound basis" is what Palme's government has taken as a starting point for its industry friendly economic program. At the same time, however, the time must be bridged over until the hoped-for upswing brings the hoped-for jobs. The Swedish situation encompasses several items: Last year on the average 153,000 people were unemployed. In addition, 55,000 were in "Preparedness Work" (measures to create jobs), 37,000 were in labor market training programs, 36,000 in jobs with government wage subsidies, and 25,000 in "protective" jobs. The two latter forms are mainly for the integration of handicapped into the work process, either by wage supplements in normal jobs or also in special shops.

Since the beginning of the year a special program has been added for 18 to 19 year olds: Whoever can neither find a job nor an apprenticeship has the right to a public job that his community must create for him. The government has put aside a billion kronor to pay the wage costs up to 100 percent. In this way, 20,000 young people normally work four hours a day by doing what is usually not done: measuring lakes, for example, cleaning hiking paths, or helping in youth homes. To be sure, many a union has reservations. Since the communities are required to create the necessary jobs, one is afraid that the chase for new jobs could cause the old ones to suffer. To fire a community worker in order to take care of two youths is not in the spirit of the law-maker.

Why does Sweden spend 15 billion kronor a year -- five billion marks -- for job provision, job creation measures, training, and similar measures? Almost three times as much as for unemployment assistance. Certainly not to impress the surrounding world with low unemployment figures. Labor policy in Sweden is based on two principles: First, one recognized and stressed earlier and more strongly than in most other countries the "value of work" as the path to "social community." Therefore unemployment as far as the welfare of the individual is concerned is unacceptable. Second, the well-trained, mobile, and versatile worker is considered to be the driving force of the economy.

Therefore labor market training (LMT), which takes place in actual LMT centers, in schools, or also in the factories themselves, has for a decade been one of the most important labor market policy measures. About 120,000 people are to be included in these courses in the coming year. The government has put 1.9 billion kronor aside for this. LMT is available for unemployed, for workers threatened with unemployment, and also for areas hit by structural changes. The participants earn during the training period about what an average worker earns at his job. They can expand their professional knowledge or be trained for needed jobs.

At the same time, the government furthers geographical mobility. What good does it do Volvo in Goteborg if an unemployed mechanic is sitting up north? And what good does it do him if Volvo offers him work and he can't travel? Sweden is a large country with a small population. The payment of moving costs, adjustment assistance, or "bridging-over money" when two households must be kept up for a time are to stimulate the worker to travel to where there is work instead of sitting at home unemployed.

In recent years, the work creation measures have become even more comprehensive than assistance in training and moving. These measures provide the unemployed person -- even if in many cases with no meaningful occupation -- at least the right to a further period with unemployment money. The so-called "preparedness work" usually lasts six months, is supposed to lie "outside of normal production," and would otherwise "not have been introduced." The government pays the wage costs from 50 to 100 percent and also takes part in possible investments necessary for the creation of new jobs. In the coming year, "employment work" is going to be cut down: the upswing in the economy is supposed to lessen the necessity for such jobs, Labor Market Minister Leijon hopes.

Instead of this, the minister is hoping for the positive effect of a new subsidy program: Since the beginning of the year the government has paid employers who create new jobs half the pay of the new worker for half a year. The new jobs are supposed to go mainly to young people and to long-time unemployed. In contrast with "preparedness work," however, this is not supposed to create jobs that are actually superfluous, but to crank up production and therefore "make steam" in Sweden, as Olof Palme promised in his last election campaign.

Unemployment Insurance for All

In Sweden, private job service is forbidden. Only the government Labor Market Direction (LMD) finds jobs through its local offices, to which all jobs available are to be reported. Of course the employer does not have to accept its services and can seek his own workers. Completely separated from the job service is the unemployment insurance. Forty-five unemployment offices administer the support of those Swedes who cannot find work in spite of LMT. The offices are connected organizationally to the unions, but they are public in principle, and independent, so that employers, too, who are not organized in a union can be members of the unemployment fund in their occupational group.

Let's assume the auto shop in which Ulf Johansson works is "streamlined." Ulf is fired. On the same day he reports as a work seeker at the local employment office and as unemployed at the unemployment insurance office. He now has to wait five days without assistance if he can't find another job. From the sixth day on he receives daily wages. The insurance office works them out on the basis of a complicated "insurance table": maximum 91.7 percent of the last income and a maximum of 280 kronor a day is what Johansson can receive. Last year the average daily wage was 230 kronor. For most of the workers, the daily wage is from 70 to 80 percent of their last salary. Whoever earned above average must count on above average wage cuts.

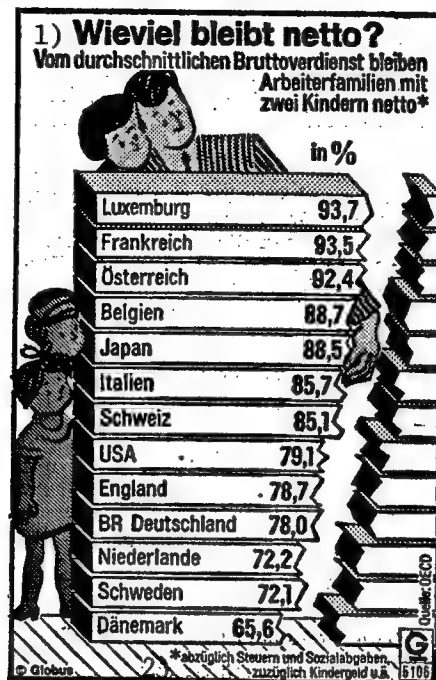
Whoever had at least five months work in the last twelve months has the right to unemployment payments. For 300 days Ulf Johansson can receive his support. There are no reductions during this time. But he must accept "appropriate" job offers the employment office wangles for him. If he doesn't do this, he must normally wait 20 days before he can again receive support. The 20 day delay also applies to the person who quits and thus ends the work relationship himself. After 300 days the hammer falls. Then the fund doesn't pay anymore. But then the unemployed person has recourse to a half-year "preparedness work," on the basis of which he has the right to a new 300 day period of daily wages. Unemployment assistance is funded 95 percent by the government.

But not everyone has the right to daily wages. Gunilla Svensson, for example, a cleaning lady, was not a member of an insurance fund. When she loses her job, she has to be satisfied with unemployed assistance of 100 kronor a day, which can be taxed just as can daily wages. This amount, which is no more than a help in the cost of living, is paid for a maximum of 150 days. In the normal case, however, it is thought of as a short-time, bridging-over period. Last year 160,000 persons received at some time the "unemployment assistance," for which the government provided 800,000 kronor, while its contribution to the unemployed insurance fund cost 5.3 billion.

On the way to full employment -- "full sysselsattning" -- the work creation measures are a dead end street out of which Sweden's government wants to bring everyone as soon as possible. "Creation of stabile jobs" is the constant refrain of the Social Democratic economic program, which in the process depends both on the private and the public sectors. While Palme's team helped the private economy by a 16 percent devaluation to an export boom, a public building program was started that is to create new jobs by "future oriented investments" -- new roads, bridges, power plants.

Even the introduction of the highly controversial "employer funds" at the beginning of the year has a job component along with its distribution policy aspect. Among the tasks of the five funds financed by "excess profits" of the firms and contributions of the workers will be to consider regional and employment policy aspects: for example, to make the capital available to a company that needs it in order -- instead of closing -- to get ready for the challenges of the coming years. Strict profitability conditions, which the funds, which are mainly controlled by the unions, must follow, are to prevent millions from being poured into outmoded industries that have no chances in

the future. Sweden only wants to build bridges where there is a shore at the other end.



Key:

1. How much net income remains? Of their average gross income, workers' families with two children receive net*
2. *Less taxes and social payments, plus money for children and similar items

9124

CSO: 3620/297

UNCERTAINTY CONTINUES TO MAR ROCKY EEC RELATIONS

Istanbul DUNYA in Turkish 10 May 84 p 1

[Text] Ankara (DUNYA) - The imposition by the European Economic Community of new restrictions on Turkish textile exports until the end of the year has added new urgency to the ambiguity in future Turkish-EEC relations. Despite inclusion of full EEC membership in the Ozal government's program, the tendency to "let it go a while longer" predominates.

In addition to problems such as "as yet unresolved political differences and certain trade restrictions," the prevailing view is that the full membership issue will "remain in word only" in the medium term "until the shape the economy is going to take emerges clearly."

Government sources, though pointing out that "there are concrete obstacles which must be overcome" in EEC relations, say that a solution to the problem "is expected soon." The problem "is not just differences in global outlook between Turkey and the EEC," but relations with France and Greece, for example, constitute an important obstacle to be got over, it is noted. In providing information to DUNYA on the topic, an official said the following as regards "both the present situation and the factors preventing Turkey from taking effectual steps towards full membership in the medium term."

What Are Obstacles

"The structure for guiding present and future relations with the EEC has become confused. The political situation aside, industry must be made adequately competitive on a sectoral basis. The steps taken in keeping with the government program have the goal of allowing industry to learn to stand on its own two feet and become externally oriented. However, it is seen that there are many more important obstacles to be overcome and that the initiative for full EEC membership may remain a paper issue until they are resolved."

In pointing out the negative impact of the high prices of Turkish industrial products, their external dependency and deficiencies in energy and infrastructure on integration with the EEC community, the official also stressed domestic and foreign financing difficulties. As regards industry's ability to gain the externality desired, the official said:

"Growth is not yet balanced among the sectors. For example, one sector's demand for raw materials cannot be met at the same speed by other sectors on which it depends, which is the most obvious result of unbalanced growth among the sectors. Running the State Economic Enterprises by the rules of the market economy is another element in which success has not yet been achieved."

Impact of Structural Features

Noting that structural features of the economy affect the tendency as regards the full EEC membership initiative to "let it go," the official said that "Turkey has not reached a position to lift the Customs Union integration clause in the event of full EEC membership."

The O z a l government's tendency to spread out solution of the problems which have arisen in EEC relations over a long period of time came about because of the following problems in particular in the economic area:

Owing to obligations which Turkey would assume within the framework of the common trade policy, industry would be deprived of off tariff and in tariff supports and would have to compete on the same level with all nations to which EEC subsidy support applies.

Turkey has to ensure an adequate foreign payment structure to sustain imports originating in both EEC and third nations and, to do this, it has to improve its exports. In addition, the outcome of the compulsory reduction in customs duties will mean a much larger EEC share in Turkey's imports of intermediate and investment goods for industry and, therefore, a higher trade deficit with the EEC.

Turkey has not been able as yet to examine and set forth the changes entailed in the industrial structure by the competition problem which will arise from the Customs Union it must establish with the EEC vis-a-vis its existing industrial problems.

8349

CSO: 3554/226

COMMENT ON INFLATION VERSUS INTEREST RATE DILEMMA

Istanbul DUNYA in Turkish 10 May 84 p 1

[Editorial in the column "Daily"]

[Text] The annual inflation rate looks as though it will exceed 45 percent. Since the first of the year, inflation has stepped up around 4 or 5 points on an annual basis.

One leg of rising inflation rests on the rapid loss of value of the Turkish lira against foreign currencies; the other on the wave of price hikes in which leadership fell to the public sector.

Alongside these material factors, one doubtless must not underrate expectations of more rapid inflation.

It seems from reports appearing in the press that the question of raising deposit interest rates is again on the agenda vis-a-vis this development in inflation. If it should be decided to raise deposit interest 4 or 5 points again to allow real earnings over inflation, it would have to go into effect on 19 June. This is because the interest schedule set up on 19 December 1983 called for quarterly review of the rates in effect. Since no change in interest rates was made on 19 March, the current regulations will have to remain in effect until 19 June.

It is extremely risky to start gearing up now for an expected interest rate revision on 19 June. It would only fan expectations of rising inflation.

Yet, Prime Minister Turgut Ozal is paying particular attention to quashing inflationary expectations. When the price indexes for April came out higher than expected, this attention was reflected in the approach he took by saying, "We knew this would happen, but prices will start a slowing trend by June." However, if they "knew this would happen," the question of why the necessary interest-rate revision was not made on 19 March remains open and, if "prices are going to start a slowing trend in June," why raise interest rates on 19 June?

In fact, even though Prime Minister Ozal is quite right in his intention to quash inflationary expectations, he does not seem very hopeful about slowing down inflation in June or subsequent months. A poor agricultural harvest was expected, but the abundant April rains have changed that prognosis.

The promise of a better harvest is undoubtedly good news, but it also creates something of a quandary in that it becomes harder to control the money that will come onto the market under the scope of agricultural subsidies. This is the problem in the struggle against inflation for the second half of the year as it now looks.

Aside from all this, it may be that 19 June is not the time to expect an increase in deposit interest rates anyway. The 19 December 1983 decision that interest rates would be reviewed once every 3 months may be changed to allow new interest rates to be put in place whenever desired. In this case, however, reducing the current 3-month minimum for time deposits to 1 month would be unavoidable in one respect. Otherwise, the idea of paying high interest for the short term and letting the expectation that inflation will slow down put a damper on the economy in the long term will be a complete flop.

The problem that puts a kink in all these possibilities is that savings, which were supposed to be encouraged by high interest, have not in fact been showing progress. The part of savings growth which has been steadily rising is taking on a quality of financing future consumption in the frame of monthly or tri-monthly interest. This may make it easier for a while longer for those on fixed incomes, but we must not forget that high interest rates no longer seem able to sustain either the banks or industry in the Turkish economy.

8349

CSO: 3554/226

BRIEFS

OIL RESERVES DEEMED SUFFICIENT--Portugal presently has a 3-month supply of oil and there is no cause for concern, according to a statement made yesterday by a PETROGAL [Portuguese Petroleum Corporation] spokesman. According to the same official, the level of stocks of the various petroleum products is normal and the petroleum sector is not perturbed about the possible results of the Iranian-Iraqi conflict in the Persian Gulf inasmuch as Portugal has a great number of sources of supply ranging from the Middle East to the USSR, including Nigeria, Mexico and Venezuela. Questioned about the quantity of oil which Portugal imports from the Persian Gulf, the PETROGAL spokesman said that it was sizable but that it did not have an appreciable effect on the total quantity received; as an example, he pointed out that part of the oil purchased from Iraq is received in Turkey, rather far from the scene of conflict. When asked if the 3-month stock is considered normal when compared with the stocks of other countries, he answered in the affirmative and went on to say that it would be very difficult and expensive to keep greater reserves stored for a very long period of time. As for the diversity of the sources of supply, he asserted that this policy was aimed at providing alternatives to the present prices and qualities of the petroleum products in case any given source was blocked. "Portugal imports 9 million tons of crude-oil products annually," the spokesman said, "and we can assume that one-fourth of that total is presently on hand. The transportation of petroleum products coming to Portugal is handled by SOPONATA and, ultimately, by foreign shipping firms." [Excerpt] [Lisbon O DIA in Portuguese 19 May 84 p 4] 8568

CSO: 3542/38

END